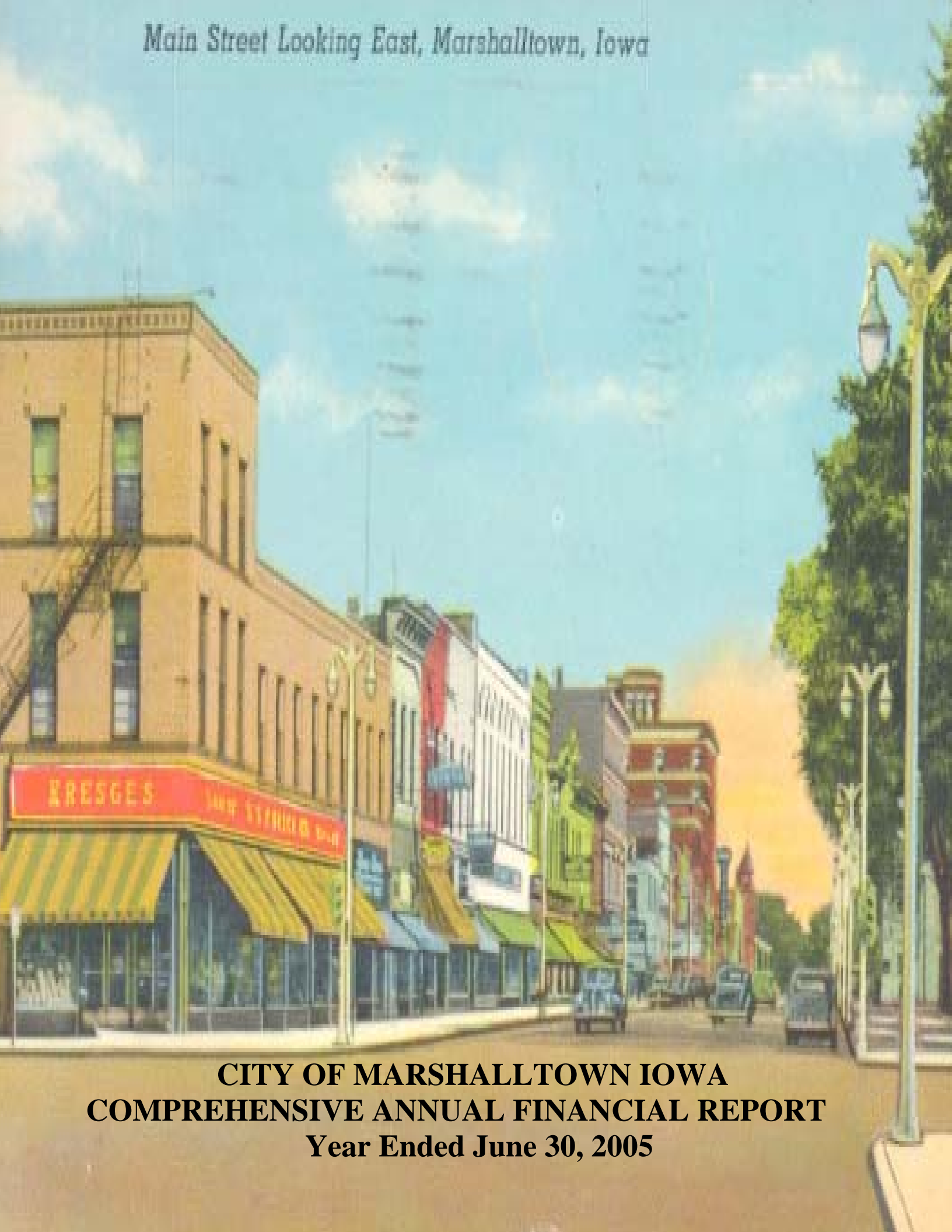


Main Street Looking East, Marshalltown, Iowa



**CITY OF MARSHALLTOWN IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005**



CITY OF MARSHALLTOWN, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2005

**Prepared by:
City Finance Department**

CITY OF MARSHALLTOWN, IOWA

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-7
Certificate of Achievement for Excellence in Financial Reporting	8
Organizational Chart	9
Officials	10
FINANCIAL SECTION	
Independent Auditor's Report	11-12
Management's Discussion and Analysis	13-27
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	28-29
Statement of Activities	30
Fund Financial Statements	
Balance Sheet - Governmental Funds	31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	32
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	33
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	34
Statement of Net Assets - Proprietary Funds	35-36
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	37
Statement of Cash Flows - Proprietary Funds	38-39
Statement of Fiduciary Net Assets - Fiduciary Funds	40
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	41
Notes to the Financial Statements	42-67
Required Supplementary Information	
Marshalltown Water Works Supplemental Retirement Pension System	68
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis)	69
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	70
Notes to Required Supplementary Information - Budgetary Reporting	71
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet - Nonmajor Governmental Funds	72
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	73

CITY OF MARSHALLTOWN, IOWA

Table of Contents

	<u>Page</u>
FINANCIAL SECTION (continued)	
Supplementary Information (continued)	
Nonmajor Enterprise Funds	
Combining Statement of Net Assets - Nonmajor Enterprise Funds	74
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds	75
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	76-77
Internal Service Funds	
Combining Statement of Net Assets - Internal Service Funds	78
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	79
Combining Statement of Cash Flows - Internal Service Funds	80
Fiduciary Funds	
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	81
Long-Term Debt	
Schedule of Bond Maturities	82-86
STATISTICAL SECTION (Unaudited)	
Government-wide Expenses by Function	87
Government-wide Revenues - Primary Government	88
General Governmental Expenditures by Function - General, Special Revenue, and Debt Service Funds	89
General Governmental Expenditures and Transfers by Function - General, Special Revenue, and Debt Service Funds	89
General Governmental Revenue and Transfers by Source - General, Special Revenue, and Debt Service Funds	90
General Governmental Tax Revenues by Source	91
Property Tax Revenue by Function	92
Property Tax Levies and Collections	93
Assessed Actual Value of Taxable Property	93
Tax Rates - Direct and Overlapping Governments	94
Principal Taxpayers	95
Special Assessments Collections	96
Ratio of General Bonded Debt to Assessed Value and General Bonded Debt Per Capita	97
Ratio of Annual Debt Service Expenditures for General Debt to Total General Expenditures - General, Special Revenue, and Debt Service Funds	98
Computation of Direct and Overlapping Debt	98
Revenue Bond Coverage	99
Demographic Statistics	100
Property Value, Building Permits, and Bank Deposits	101
Insurance in Force - Primary Government Only	102
Principal Employers	103
Salaries of Principal Officials	104
Miscellaneous Statistical Data	105-107

CITY OF MARSHALLTOWN, IOWA

Table of Contents

	<u>Page</u>
STATISTICAL SECTION (Unaudited) (continued)	
Water Pollution Control	
Historic Earnings	108
Historic Coverage	108
Number of Customers by Type	109
Present Net Assets	109
Major Users	109
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	110-111
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	112-113
Schedule of Expenditures of Federal Awards	114-115
Notes to the Schedule of Expenditures of Federal Awards	116
Schedule of Findings and Questioned Costs	117-118

INTRODUCTORY SECTION



City of Marshalltown
Floyd Harthun, Mayor
Richard Hierstein, City Administrator
Cindy R Kendall, Finance Director
24 North Center Street
Marshalltown, IA 50158-4911
Tel - (641) 754-5760
Fax - (641) 754-5717
Email: ckendall@ci.marshalltown.ia.us

October 13, 2005

Mayor Harthun,
Members of the City Council and
Citizens of Marshalltown, Iowa:

In accordance with Chapter 11 of the Code of Iowa, I hereby submit the Comprehensive Annual Financial Report (CAFR) of the City of Marshalltown, Iowa, (City) for the fiscal year ended June 30, 2005. The accuracy of data, and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. To the best of our knowledge and belief, the enclosed data accurately, and in all material respects, are reported in a manner that presents fairly the financial position and results of operations for the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. Also included is information required to fulfill SEC disclosure regulations and bond covenants as it pertains to bonds held by the City of Marshalltown.

The CAFR is organized into the following sections: Introductory, Financial, Statistical and Compliance. The introductory section, which is unaudited, includes the table of contents, this letter, a copy of the Certificate of Achievement for Excellence in Financial Reporting awarded for the FYE 04 CAFR, an organizational chart and a listing of principal elected and appointed officials. The financial section includes independent auditor's report, the management's discussion and analysis (MD&A) of the City's financial activities, the basic financial statements, the combining and individual fund financial statements, schedules and supplementary information. The statistical section of the report, which is also unaudited, includes statistical information pertaining to the City's financial condition and operations, generally presented on a multi-year basis. Also included in this section are schedules required for bond covenants and SEC compliance. The final section of the report provides the information needed to comply with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the independent auditor's report, the schedule of expenditures of federal and other awards (SEFA), schedule of findings and questioned costs are included in the compliance section.

The City of Marshalltown's financial statements have been audited by Eide Bailly LLP of Dubuque, IA, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor, concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Marshalltown's financial statements for the fiscal year ended, June 30, 2005 are fairly presented in conformity with GAAP.

CITY COUNCIL: John Cahill, Darrell Eaton, Eric Fruin, Jeff Linton, Laurel Phipps, Susan Malloy, Robert Schubert

Profile of the Government

The City was incorporated July 27, 1863 under the laws of the State of Iowa, later amended on June 16, 1975 under the City Home Rule Act. The City operates under a mayor-council form of government. Policy making and legislative authority are vested in the seven member council. The City Council is responsible for passing ordinances, resolutions, adopting and amending the budget, appointing committees and hiring the City Administrator as provided by ordinance. Beginning November 1997 the Mayor and Council are elected on a non-partisan basis to a four year staggered term, allowing continuity within the membership. Four of the council members are elected from within their respective districts. The mayor and the three remaining council members are elected at large. The City Administrator is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and for hiring the department managers.

The City provides the following services as authorized by its charter: police, fire, traffic safety, culture, recreation, community development, public works, sewage collection and disposal, compost facility, a transit system, municipal parking lots, various housing programs, a library which is overseen by a board of directors, a water distribution system which is administered by an independent utility board of trustees, and a Convention and Visitors Bureau which is administered by a board of directors. The Marshalltown School District and East Marshall School District are administered by independent and autonomous boards created under the authority of the Code of Iowa, are legally separate and are fiscally independent of the state and other local governments. Therefore, the school districts' financial statements are not included. However, the school districts' overlapping debt is displayed in the statistical schedules.

The annual budget serves as the foundation for the City of Marshalltown's financial planning and control. All departments of the City are required to submit requests for appropriation to the finance department during the fall of each year. The city administrator then uses these requests for developing a proposed budget. The proposed budget is presented to the council for review during January. The council is required to hold at least one public hearing on the proposed budget and to adopt a final budget before March 15. The legally adopted budget is prepared by function (e.g., Public Safety, Public Works, Capital Projects). Department managers may make transfers of appropriations within the department. The transfer of appropriations between functions, however, requires a public hearing and approval by the city council prior to exceeding the function budget. Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons, presented on pages 69-71 as part of the required supplementary information.

ECONOMIC CONDITION AND OUTLOOK

The Main Street Program designation was awarded to Marshalltown in April of 2002. The momentum continues to add activities bringing more people into the downtown area. Many more of the store fronts are undergoing historical restoration and some upper level areas are being converted to living spaces. The Main Street District profile changed with construction of a facility which has a blend of commercial and residential units. Housing approximately 30 low and moderate income units, this project encompasses components of lot "infill" and historic architecture with new construction.

Meetings sponsored by the Main Street Program throughout the past year have demonstrated a high interest in a Land Use project by RDG Planning & Design of Des Moines. Collaboration between the city and business leaders have reduced the financial burden on the City to finance this report. This report is due in late 2005.

Citywide the growth in retail sales continues to support the regional atmosphere. Despite revenue shortfalls at the state level, the Local Option Sales Tax revenues are still stable for Marshalltown. The Local Option Sales Tax (LOST) began April 1, 2000 with first distributions received in June, 2000. 20% of the LOST was designated for the storm sewer study and related storm sewer repairs, 5% was for cash flow reserves and 75% was designated for property tax relief. The LOST generates over \$2.5 million per year. George Butler and Associates has been hired to do a condition assessment of the storm sewer system, create a status and location database, and prepare estimates for repair and reconstruction. The property tax relief portion of the LOST was applied during preparation of the budget for fiscal year 2004-2005, reducing the tax levy by \$2.50/\$1,000 of taxable valuation. An estimated \$100,000 has been reserved for cash flows each year. The 2000 referendum also included a 5 year sunset provision. In early 2004, the Local Option Sales Tax was extended for another 10 years. The only language change on the ballot was the 5% originally designated for Cash Flow reserves will now be designated by the City Council for any legal purpose. Because of the tax collections in excess of state projections, the City Council conducted a special public hearing to use the unanticipated revenues designated for property tax relief to the Westwood Drive project, saving the city from selling general obligation bonds, a net savings of almost \$200,000.

The School Infrastructure Local Option Sales Tax, passed last year, has been designated to buy down the \$25,000,000 infrastructure bonds. Many of the first schools to undergo restructuring have been completed while others will not be done for at least another year. Restructuring of the physical plants has allowed the district to diversify the population at the junior high schools by grade level rather than residency location. Before these changes, the blend of both junior high schools was done in the 9th grade. This earlier diversification strengthens the Marshalltown School Districts compliance with "No Child Left Behind".

MAJOR INITIATIVES

The City is establishing itself as the "Technology Capital of the State". Marshalltown works for technology and setting itself apart as a leader in Iowa. To kick-start this exciting new opportunity for Marshalltown businesses, citizens and visitors, MEDIC (Marshall Economic Development Impact Committee) set up free Internet in the 'Wi-Fi' Zone. There was also a Wi-Fi survey to determine citywide interest in the Wi-Fi technology. Partners in this initiative include: Marshall County, the City, Marshalltown Water Works, BDH Technology, Buena Vista University, Brite-Way Electric, MEDIC Board of Directors, RACOM, Nortel, Marshalltown Medical & Surgical Center, Westown Apartments, Iowa Wholesale and Fisher Controls.

Another phase in establishing itself as the "Technology Capital of the State" included a study on how to make Wi-Fi available all over the city. One of the options explored would create an Internet utility. During these discussions, the local cable television and Internet provider, MediaCom, stepped forward. In an agreement with the City, MediaCom has established two additional Wi-Fi sites and offers low cost high-speed Internet access to new customers. This one-year agreement also opens the door for future technology development in the community.

OTHER INFLUENCING FACTORS

Construction and major "spruce ups" during this year continue to look encouraging, the residential rollback, however, continues to increase to an extent that little if any growth is added to the tax base. The city continues to struggle to deliver services without financial support to sustain them.

Assessment Roll-Back. During the 1980's, the state legislature limited the value growth by class to 4% statewide and linked or coupled agricultural and residential values so that neither class could increase at a greater percentage than the other. Even though the residential values have increased steadily, agricultural values have not. This rollback factor along with the removal of the machinery and equipment valuations for industrial and commercial valued properties, continues to shift the burden for the payment of services.

Assessment Year	Residential Rollback
2005	45.9960%
2004	47.9642%
2003	48.4558%
2002	51.3874%
2001	51.6676%
2000	56.2651%
1999	54.8525%
1998	56.4789%
1997	54.9090%
1996	58.8284%
1995	59.3180%
1994	67.5074%

The Utility Replacement Tax (URT) is another factor shifting the property tax payment for services. The Iowa legislation replaced the centrally assessed property tax on utilities with an excise tax based on the generation, transmission and distribution of electricity and natural gas. An assessed value of utility property is still used to calculate bonding capacity. This fiscal year also bore the burden of reduced revenues (-6%) from the Utility Replacement Tax, the result of a lawsuit over the valuations of the Alliant Energy properties within Iowa.

Section 42, a third factor shifting the property tax liability was enacted by the state legislature last year, known as Iowa Code Section 42. This provision changes the calculation of properties that qualify for federal tax credits and are privately held rental residential units. These units had been classified as commercial and can now be classified as residential (enjoying the rollback factor) in part influenced by the profitability of the units.

Capital Improvement Project (CIP) levy is a property tax revenue for the repair and replacement of capital items, approved in 1999. This Capital Improvement levy generates up to \$380,000 per year. Use of this levy allows a number of things: 1) capital equipment and building maintenance on a routine, planned basis, 2) avoids or eliminates the use of debt capacity for capital equipment and building maintenance, 3) avoids or eliminates interest expense for capital equipment and building maintenance 4) allows more flexibility for operations within the general fund. By resolution, the City Council voted to set aside 15% of the annual capital improvement levy for large capital items such as fire engines. This reserve normally displayed in the Capital Project fund type in these reports was used in part during 2004-2005 to purchase the next fire engine. To better manage the resources generated by the levy, all departments must now prepare at least a five year capital needs plan for Council approval.

The Library continues its mission towards a new facility and changing services to meet the needs of those it serves. A concept drawing and more substantial floor plans are being circulated throughout the community. Because of its plan to remain in the downtown foot print, the new construction has become a critical component of the downtown vitality, influencing the Land Use study being conducted by RDG Planning & Design.

INTER-GOVERNMENTAL COOPERATION

Monthly meetings between each of the governmental bodies continues for its eleventh year. Cooperation is in the areas of taxation, GIS mapping, data processing, zoning, safety and transportation. In addition, the County Board of Supervisors meet with the City Council on a quarterly basis to demonstrate management's involvement in intergovernmental cooperation and efficiencies. This year the direct benefits resulting from these meetings were: 1) Successfully receiving funding for Highland Acres, a western boundary road. Both agencies are currently drawing plans and specification and right of way agreements.

2) The City is completing a three year HUD Lead Abatement Grant awarded in 2003. This \$1,999,388 grant is reducing the city's high incidents of lead poisoning amongst early elementary aged children. The purchase of a "safe" house and a leased facility provide a wholesome environment for families while their homes are abated of lead hazards. This project was funded in part due to the coordination of agencies: the City's Housing and Inspection divisions, Marshalltown Medical and Surgical Center, the Martha Ellen Tye Foundation, Wells Fargo Bank, the Iowa Department of Human Services and the Iowa Department of Health. By the end of the program late in 2005, over 100 homes and rental units will have been completed.

Due to the high number of children in the area still exposed to these lead hazards, the City was able to secure a second grant, again due to the collaboration of many local, state and federal agencies. This grant will branch out into the County, again demonstrating the City's impact as a regional hub for medical and housing needs.

3) The consolidated Public Works Facility campus, completed and inhabited in November, 2003 is again a construction site as the woodworking shop of the Parks and Recreation Maintenance Division is re-located and a new salt mixing and storage facility is constructed. The woodworking shop has been moved to this campus to better utilize the manpower that have similar job responsibilities with the street division. Additionally, the County Engineer, needing sole use of the existing salt mixing and storage facility, bought out the City's portion allowing a new facility to be constructed nearer to the Public Works building. The Regional Planning Commission is also housed in this facility contributing to the coordinated efforts and operations of the regional transit services. Proximity to the Public Works Facility also facilitates sharing of resources for transit, para-transit, accounting, internet and mechanics. A central maintenance pool is located in this facility adding safety and efficiencies for the mechanics.

FINANCIAL INFORMATION

The management of the City is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits require estimates and judgments by management. Internal controls have been established within the finance department and are evaluated to provide adequate control based on resources available. Management continues to modify internal controls to meet ever changing needs and recommendations by the external auditors.

The City maintains its daily financial records and budget on a cash basis of accounting. The accounting records for governmental operations and agency funds are converted to a modified accrual basis at the end of the fiscal year. Similarly, the enterprise, internal service, and pension trust fund are converted to the accrual basis of accounting. The fund balances on an accrual basis of accounting vary from the balances based on cash receipts and disbursements in that the latter reflect only moneys "on hand" that are available for spending.

Compliance Audit. As a recipient of federal and state financial assistance, the City also is responsible for ensuring that adequate internal controls are in place for compliance with applicable laws, regulations, contracts and grants related to those programs. Internal controls are subject to periodic evaluation by management and the external audit staff of the City.

As a part of the City's compliance audit, described earlier, tests are made to determine the adequacy of the internal controls, including that portion related to federal financial assistance programs, and the state programs determined under the same criteria, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's independent auditor's results for the fiscal year ended June 30, 2005, disclosed no reportable conditions in internal control over the major programs. All findings and comments can be found in the Schedule of Findings and Questioned Costs in the Compliance Section of this report.

Cash Management. Cash temporarily idle during the year can be invested in demand deposits, certificates of deposits, commercial paper rated AAA or above, obligations of the U.S. Treasury or an investment pool. The investment pool utilized by the City was the IPAIT (Iowa Public Agency Investment Trust) which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. Investment of City funds are restricted by state statute and local policy. All investments are directly held and managed by the City Finance Director with co-authority of the City Administrator, except for funds held by the Water Works and Convention and Visitors Bureau, which are invested by their respective managers. An Investment Advisory Committee of financial specialists from the community continue to review all investment activity on not less than a quarterly basis, again insuring the investment vehicles are diversified, staggered to meet cash flow needs, and with minimal risk exposure. The maturities of investments generally range from 30 days to 3 years. Due to the competitive bidding and the change in the investment market, deposits in money market accounts has given way to more certificate of deposits, producing better returns than in the previous year. The City earned \$287,116.39 in interest revenue on investments for the year ended June 30, 2005, increasing slightly over 2004.

Risk Management. The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. Through the insurance bidding process, the city began participation in the Iowa Communities Assurance Pool. This is an intergovernmental organization created to secure affordable insurance to municipalities with similar risk exposures. During this same bidding process, the City moved its worker's compensation coverage to the Iowa Worker's Compensation Association. Strategic planning of worker's compensation cases including medical case management, supervisory/employee relations, transitional work and litigation management has been incorporated into the City's risk management program. The cost vs. benefit analysis done in conjunction with the 2004 insurance bidding process demonstrated that the City should change the medical only coverage for work related injuries for the police and fire personnel in the self insured program. Today the City has seen favorable results from this change. More details on the risk management can be found in the Notes to the Financial Statements found later in this report.

The City's self-funded health insurance also promotes safety and wellness through preventative incentives, publications and various activities. Third party coverage insures a stop loss limit of \$75,000 minimizing catastrophic exposure to losses. The Group Health Advisory Committee made up of City employees and support staff, was formed to examine the City's self-administered insurance program. The committee continues to implement and monitor changes to the coverage of the group. Participation in the IRS Section 125 Cafeteria Plan, disability insurance, voluntary life insurance, drug discounts and wellness programs have substantially increased. Beginning in January 1998 a self-funded Preferred Provider Organization (PPO) plan was offered as an alternative to increased premiums. Provider discounts and favorable experience with claims positively impacts the city through available cash balances in the internal service fund and managed tax asking supporting the City's portion of the premium. Cost containment measures and claim review continue to improve control over excessive claims. There is, however, concern over the growth in prescription drug expenses. In January of 2004, premiums for the program increased 23% reflecting the City's inability to fight off national trends; however, no changes were made in 2005. Cash balances in this area increased modestly this year due to the relatively flat (claims paid) experience.

Post employment benefits. The City of Marshalltown provides postretirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 60 employees receiving these benefits, which are financed on a pay-as-you-go basis. As of the date of this report, GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. Eide Bailly LLP of Dubuque, IA was selected by the City's Policy & Administrative Committee for a five year engagement. In addition to meeting the requirements of state statutes, the audit is designed to meet the requirements of U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the audit. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws, regulations, contracts, and grants are included in the Compliance Section.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the years ending June 30, 1990, and 1993 through 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

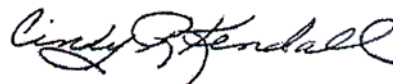
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. Improving the financial and economic outlook and stability for Marshalltown is a cooperative effort from individuals in the private and public sector. That outlook and the fiscal management of the City is directly contributing towards the financial health of the City government. The City's progress in this past year continues to position the city for positive future growth. Ongoing collaboration between the taxing agencies in the area also strengthens the economy, delivery of services, availability of arts, culture and recreation, regional medical services and a reasonable cost of living.

Particular acknowledgment must be given to city employees in their efforts to improve delivery of services to the citizens of Marshalltown. Steadfast, persistent and loyal in their pursuit, the employees strive to make Marshalltown a strong and safe regional center for education, health, businesses and recreation. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the Accounting Manager, Lori Stansberry, CPA, the dedicated service of the finance department and with assistance from many other agencies and organizations.

Respectfully submitted,



Cindy R. Kendall, CGFM
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Marshalltown,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



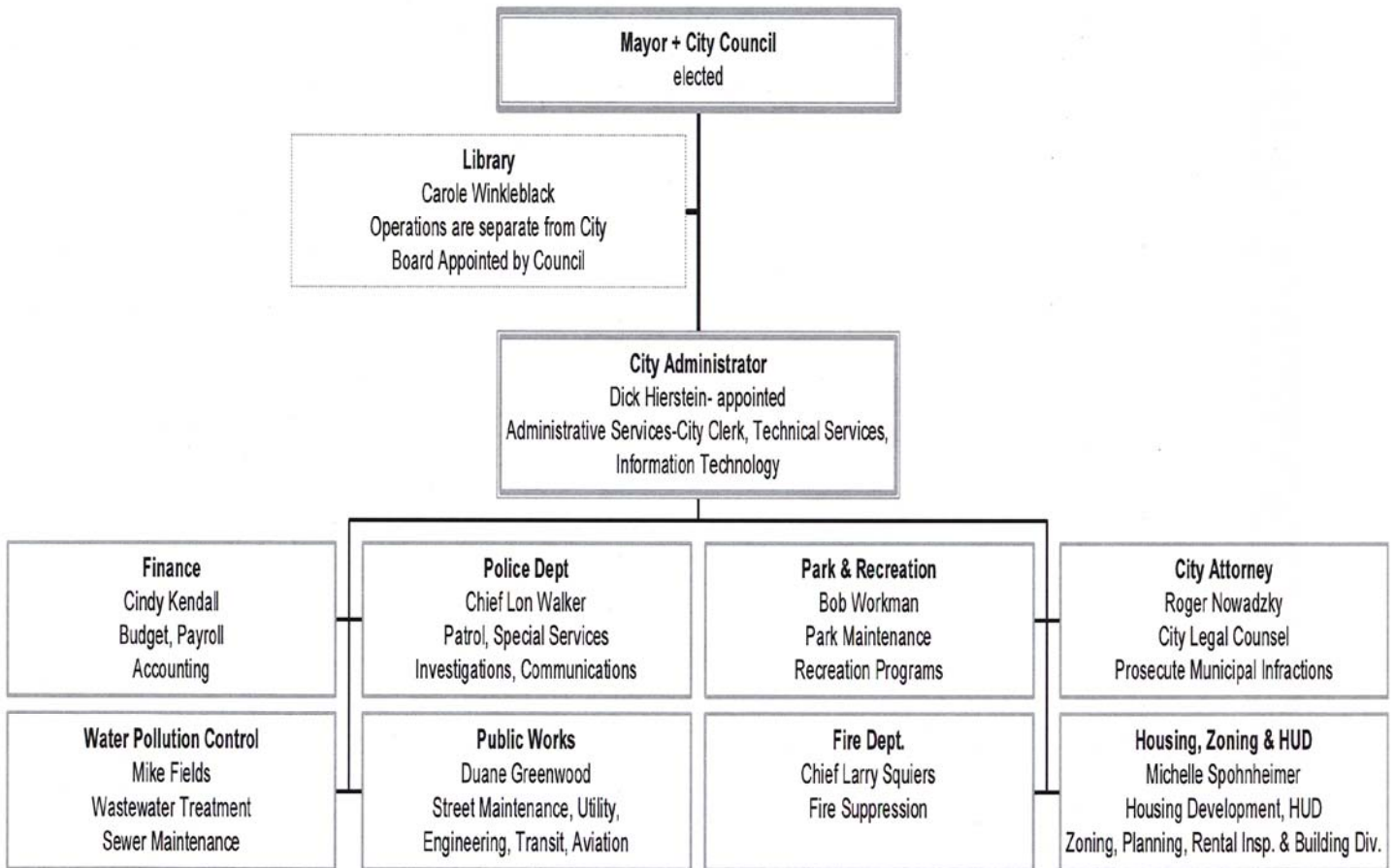
Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

Marshalltown Organizational Chart 2005



CITY OF MARSHALLTOWN, IOWA
OFFICIALS
JUNE 30, 2005

Name	Title	Term Expires
Elected officials:		
Floyd Harthun	Mayor	December 31, 2005
Susan Malloy	Mayor Pro-Tem	December 31, 2005
John Cahill	Council Member	December 31, 2007
Robert Schubert	Council Member	December 31, 2005
Jeff Linton	Council Member	December 31, 2007
Eric Fruin	Council Member	December 31, 2005
Darrell Eaton	Council Member	December 31, 2005
Laurel Phipps	Council Member	December 31, 2007
Council-appointed officials:		
Dick Hierstein	City Administrator	October 30, 2006
City Administrator Appointment with Council Approval:		
Cindy R. Kendall	Finance Director	Indefinite
Shari Coughenhour	City Clerk	Indefinite
Duane Greenwood	Public Works Director	Indefinite
Roger Nowadzky	City Attorney	Indefinite
Mike Fields	Water Pollution Control Director	Indefinite
Robert Workman	Parks and Recreation Director	Indefinite
Larry Squiers	Fire Chief	Indefinite
Lon Walker	Police Chief	Indefinite
Mary Rund	Technical Services Coordinator	Indefinite
Michelle Spohnheimer	Housing Director	Indefinite
John Phillips	Public Facilities Superintendent	Indefinite

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Marshalltown, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Marshalltown. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marshalltown Water Works and the Marshalltown Convention and Visitors Bureau, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, pages 13 through 27, Marshalltown Water Works Supplemental Retirement Pension System Schedule, page 68, and budgetary comparison information on pages 69 through 71 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Marshalltown, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Marshalltown. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
October 13, 2005

Management's Discussion & Analysis (MD&A)

As management of the City of Marshalltown, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Marshalltown for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report. In most areas, this year, we have added more comparison tables to the MD&A showing major variances in dollars and percent.

Financial Highlights

- Assets of the City of Marshalltown (Primary Government) exceeded its liabilities at the close of the most recent fiscal year by \$52,191,650 (*net assets*) as compared to \$48,706,221 in the prior year.
- The City's total net assets increased by \$3,485,429. This increase is attributable to the acceptance of public streets and utilities from various subdivisions and increased tax increment financing to cover future debt liability
- As of the close of the current fiscal year, the City of Marshalltown's governmental funds reported combined ending fund balances of \$9,657,859, an increase of \$236,586 in comparison with the prior year. This increase can be contributed primarily to the sale of various land parcels and a light year for Road Use Tax expenses.
- \$4,122,942 a decrease of \$1,046,703 over last year's ending balance is available for spending at the City's discretion (*unreserved undesignated fund balance*). This is primarily due to the draw down of Local Option Tax funds used in lieu of selling bonds for the Westwood Drive Project.
- At the end of the current fiscal year, the unreserved undesignated fund balance for the general fund was \$829,870, an increase of \$467,678.
- The City's total debt decreased by \$2,727,296 or 8.4% during the current fiscal year. This change results from the retirement and refinancing of bonds due to good market conditions and the use of Local Option Tax cash on hand for the balance of expenses on the Westwood Drive project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Marshalltown's basic financial statements. The City of Marshalltown's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Beginning with the year ended June 30, 2003, the City of Marshalltown adopted the provisions of Governmental Accounting Standards Board Statements No. 34, Basic Financial Statements – Managements' discussion and Analysis – for State and Local Governments, Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis – For State and Local Governments: Omnibus, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Marshalltown's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Marshalltown's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or

decreases in net assets may serve as a useful indicator of whether the financial position of the City of Marshalltown is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Marshalltown that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Marshalltown include general government, public safety, public works (roads, utilities and traffic controls), health and social services, parks and recreation, library and employee insurance. The business-type activities of the City of Marshalltown include, compost, concessions, storm sewer, water pollution control and transportation activities.

The government-wide financial statements include not only the City of Marshalltown itself (known as the *primary government*), but also a legally separate Water Works and Convention and Visitors Bureau for which the City of Marshalltown is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 28-30 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Marshalltown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Marshalltown can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the city's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Marshalltown maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Road Use Tax, Debt Service, HUD Programs, Local Option Sales Tax, Tax Increment Financing, and Public Works which are considered to be major funds. Data from the other eight non-major governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Marshalltown adopts an annual appropriated budget for all funds as required by state statute. In Iowa, budgetary compliance is at the function level, transcending fund level accounting as demonstrated in this report. Budgetary comparison statements have been provided for the governmental and enterprise/proprietary fund levels. Due to a publication issue, the reader will see multiple function level non-compliance issues. Overall analysis would reflect compliance at the government wide level.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

Proprietary funds. The City of Marshalltown maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Marshalltown uses enterprise funds to account for its Storm Sewer, Wastewater, Compost, Transit and Concession activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Marshalltown's various functions. The City of Marshalltown uses internal service funds to account for its insurance operations. Because this services predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Storm Sewer, Wastewater and Other Proprietary funds, namely, Compost, Transit and Concession activities, all of which are not considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 35-39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* available to support the City of Marshalltown's programs. The most significant fiduciary fund maintained by the City of Marshalltown is the payroll fund which records the taxes collected for other taxing jurisdictions within the City of Marshalltown. The accounting used for fiduciary funds is much like that used for governmental funds. The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 42-67 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information (RSI). Combining and individual fund statements and schedules can be found on pages 68-71 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Marshalltown, assets exceeded liabilities by \$52,191,650 at the close of the most recent fiscal year.

By far, the largest portion of the City of Marshalltown's net assets \$37,629,924 (72 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Marshalltown used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Marshalltown's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MARSHALLTOWN NET ASSETS
June 30, 2005

Governmental Activities

	2005	2004	Increase/(Decrease) 2005/2004
Current and other assets	\$19,329,044	\$ 18,560,480	768,564
Capital assets	<u>31,667,454</u>	<u>31,934,152</u>	<u>(266,698)</u>
Total Assets	50,996,498	50,494,632	501,866
Long-term liabilities			
Outstanding	23,075,643	25,386,806	(2,311,163)
Current and other liabilities	<u>8,568,289</u>	<u>8,4210,133</u>	<u>148,156</u>
Total Liabilities	31,643,932	33,806,939	(2,163,007)
Net Assets:			
Invested in capital assets,			
Net of related debt	9,538,473	7,675,400	1,863,073
Restricted	1,401,272	976,110	425,162
Unrestricted	<u>8,412,821</u>	<u>8,036,183</u>	<u>376,638</u>
Total Net Assets	19,352,566	16,687,693	2,664,873
	=====	=====	=====

Business-type Activities

	2005	2004	Increase/(Decrease) 2005/2004
Current and other assets	\$5,127,915	\$ 5,080,199	47,716
Capital assets	<u>35,769,451</u>	<u>35,874,563</u>	<u>(105,112)</u>
Total Assets	40,897,366	40,954,762	(57,396)
Long-term liabilities			
Outstanding	7,841,336	8,306,528	(465,192)
Current and other liabilities	<u>216,946</u>	<u>629,706</u>	<u>(412,760)</u>
Total Liabilities	8,058,282	8,936,234	(877,952)
Net Assets:			
Invested in capital assets,			
Net of related debt	28,091,451	27,731,925	359,526
Restricted	1,285,042	1,424,373	(139,331)
Unrestricted	<u>3,462,591</u>	<u>2,862,230</u>	<u>600,361</u>
Total Net Assets	32,839,084	32,018,528	820,556
	=====	=====	=====

Total Net Activities

	2005	2004	Increase/(Decrease) 2005/2004
Current and other assets	\$24,456,959	\$ 23,640,679	816,280
Capital assets	<u>67,436,905</u>	<u>67,808,715</u>	<u>(371,810)</u>
Total Assets	91,893,864	91,449,394	444,470
Long-term liabilities			
Outstanding	30,916,979	33,693,334	(2,776,355)
Current and other liabilities	<u>8,785,235</u>	<u>9,049,839</u>	<u>(264,604)</u>
Total Liabilities	39,702,214	42,743,173	(3,040,959)
Net Assets:			
Invested in capital assets,			
Net of related debt	37,629,924	35,407,325	2,222,599
Restricted	2,686,314	2,400,483	285,831
Unrestricted	<u>11,875,412</u>	<u>10,898,413</u>	<u>976,999</u>
Total Net Assets	52,191,650	48,706,221	3,485,429
	=====	=====	=====

A portion of the City of Marshalltown's net assets (\$2,685,728) represents resources that are subject to external restrictions on how they may be used. Prior year comparison shows \$2,400,483 an increase of \$285,245. The remaining balance of unrestricted net assets (\$11,875,998) may be used to meet the government's ongoing obligations to citizens and creditors. This is a slight increase in available net assets over 2003-2004. At the end of the current fiscal year, the City of Marshalltown is able to report positive balances in all three of the categories of net assets, governmental, business-type, and the government as a whole.

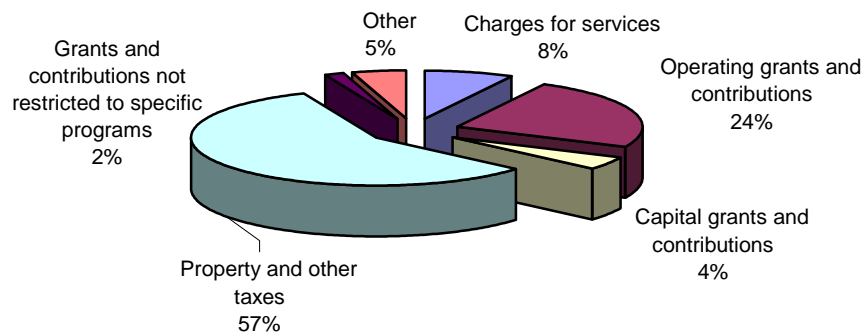
The following is a more detailed review of the years' operation.

City of Marshalltown's Changes in Net Assets

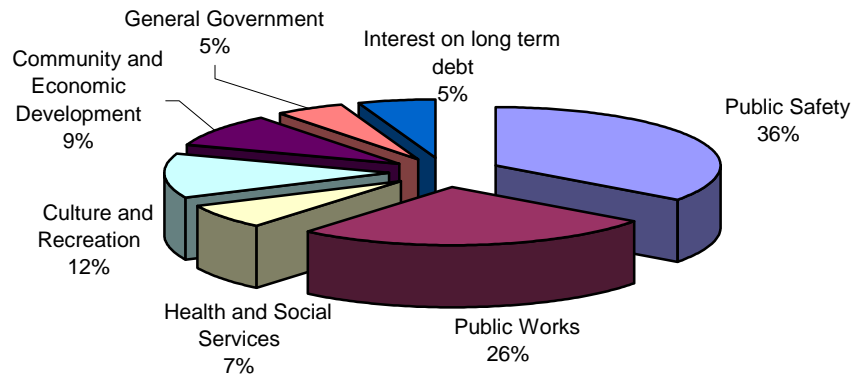
	Governmental Activities		Increase/(Decrease) 2005/2004
	2005	2004	
Revenues:			
Program Revenues:			
Charges for services	\$1,723,015	\$1,851,805	\$ (128,790)
Operating grants and contributions	5,265,563	5,510,052	(244,489)
Capital grants and contributions	971,519	517,296	454,223
General Revenues:			
Property and other taxes	12,551,303	11,480,381	1,070,922
Grants and contributions not			
Restricted to specific programs	401,992	415,760	(13,768)
Other	<u>1,015,499</u>	<u>708,107</u>	<u>307,392</u>
Total revenues	21,928,891	20,483,401	1,445,490
Expenses:			
Public Safety	6,718,838	7,334,477	(615,639)
Public Works	4,975,532	4,132,829	842,703
Health and Social Services	1,336,175	783,075	553,100
Culture and Recreation	2,356,111	2,669,207	(313,096)
Community and Economic Development	1,743,784	2,495,685	(751,901)

General Government	975,510	1,038,353	(62,843)
Interest on long term debt	<u>1,037,688</u>	<u>984,214</u>	<u>53,474</u>
Total expenses	19,143,638	19,437,840	(294,202)
Increase (decrease) in net assets before transfers	2,785,253	1,045,561	1,739,692
Transfers	<u>(120,380)</u>	<u>(8,356,589)</u>	<u>8,236,209</u>
Increase(decrease) in net assets	<u>2,664,873</u>	<u>(7,311,028)</u>	<u>9,975,901</u>
Net assets – beginning of year	<u>16,687,693</u>	<u>23,998,721</u>	<u>(7,311,028)</u>
Net assets – end of year	<u>19,352,566</u>	<u>16,687,693</u>	<u>2,664,873</u>

**City of Marshalltown's Changes in Net Assets
Governmental Activities 2005 Revenues**



**City of Marshalltown's Change in Net Assets
Governmental Activities 2005 Expenses**

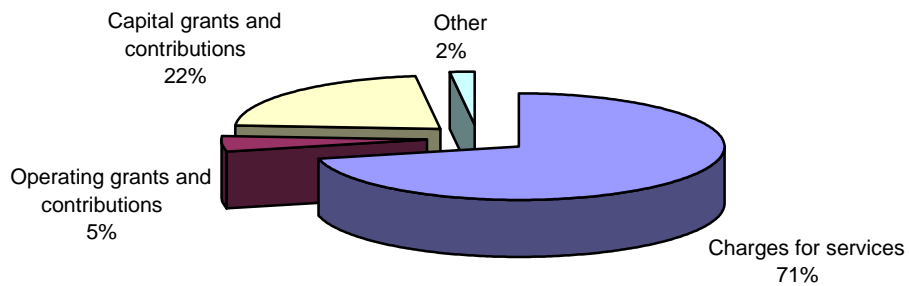


City of Marshalltown's Changes in Net Assets

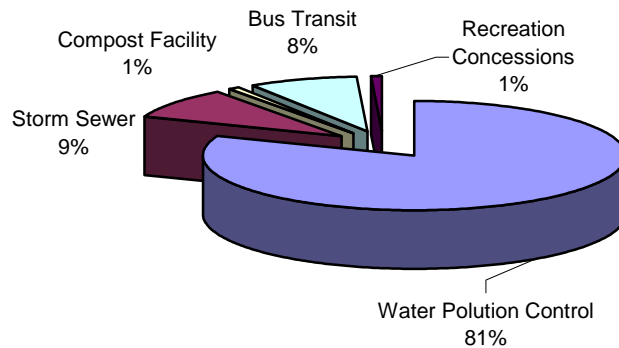
Business-type Activities

	Total Activities 2005	Total Activities 2004	Increase/(Decrease) 2005/2004
Revenues:			
Program Revenues:			
Charges for services	\$4,174,931	\$4,116,953	\$ 57,978
Operating grants and contributions	273,126	198,530	74,596
Capital grants and contributions	1,276,587	472,261	804,326
General Revenues:			
Other	<u>113,190</u>	<u>88,296</u>	<u>24,894</u>
Total revenues	5,837,834	4,876,040	961,794
Expenses:			
Business-type	5,137,658	4,520,644	617,014
Increase (decrease) in net assets before transfers	700,176	355,396	344,780
Transfers	<u>120,380</u>	<u>8,356,589</u>	<u>(8,236,209)</u>
Increase (Decrease) in net assets	<u>820,556</u>	<u>8,711,985</u>	<u>(7,891,429)</u>
Net assets – beginning of year	<u>32,018,528</u>	<u>23,306,543</u>	<u>8,711,985</u>
Net assets – end of year	<u>32,839,084</u>	<u>32,018,528</u>	<u>820,556</u>

City of Marshalltown's Changes in Net Assets Business-type Activities



**City of Marshalltown's Changes in Net Assets
Business-type Activities 2005 Expenses**



**City of Marshalltown's Changes in Net Assets
Total Governmental & Business-type Activities**

	Total Activities 2005	Total Activities 2004	Increase/(Decrease) 2005/2004
Revenues:			
Program Revenues:			
Charges for services	5,897,946	\$5,968,758	(70,812)
Operating grants and contributions	5,538,689	5,708,582	(169,893)
Capital grants and contributions	2,248,106	989,557	1,258,549
General Revenues:			
Property and other taxes	12,551,303	11,480,381	1,070,922
Grants and contributions not restricted to specific programs	401,992	415,760	(13,768)
Other	<u>1,128,689</u>	<u>796,403</u>	<u>332,286</u>
Total revenues	27,766,725	25,359,441	2,407,284
Expenses:			
Public Safety	6,718,838	7,334,477	(615,639)
Public Works	4,975,532	4,132,829	842,703
Health and Social Services	1,336,175	783,075	553,100
Culture and Recreation	2,356,111	2,669,207	(313,096)
Community and Economic Development	1,743,784	2,495,685	(751,901)
General Government	975,510	1,038,353	(62,843)
Interest on long term debt	1,037,688	984,214	53,474
Business-type	<u>5,137,658</u>	<u>4,520,644</u>	<u>617,014</u>
Total expenses	24,281,296	23,958,484	322,812
Increase (decrease) in net assets	<u>3,485,429</u>	<u>1,400,957</u>	<u>2,084,472</u>
Net assets – beginning of year	<u>48,706,221</u>	<u>47,305,264</u>	<u>1,400,957</u>
Net assets – end of year	<u>52,191,650</u>	<u>48,706,221</u>	<u>3,485,429</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Marshalltown uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The financial reporting focus of the City of Marshalltown's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City of Marshalltown's financing requirements. In particular, *unreserved fund balance* may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Marshalltown's governmental funds reported a combined ending fund balance of \$9,657,859, an increase of \$236,586 in comparison with the prior year. Of this total amount \$7,910,012 is the unreserved fund balance, which is available to meet the future financial needs of the City. \$1,747,854 is designated for future equipment and capital maintenance, future cash flow and landfill fees. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$346,575), 2) to fund various debt service payments (\$833,058), and 3) for a variety of other restricted purposes (\$568,214).

The general fund is the chief operating fund of the City of Marshalltown. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,577,724. \$256,593 has been designated by management for subsequent year's expenditures. The general fund's total fund balance was \$2,848,124, an increase of \$223,062 primarily as a result of the cash flow reserve fund deposits from the local option sales tax referendum. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23 percent of total general fund expenditures (\$11,182,192), while total fund balance represents 25 percent of that same amount. This is approximately a 1% improvement over 2003-2004.

The Road Use Tax Fund is apportioned to the City from the state gasoline taxes based upon population. These funds are used for street related purposes only. Major street resurfacing and reconstruction are scheduled each year in the spring after the impact of winter weather can be determined. At the end of the current fiscal year, the ending fund balance of \$1,782,042 increased by a modest \$170,451 over the prior year. Snow and ice removal are usually the greatest variable for this fund. With the fluctuations in gas pricing, the demand for gasoline has seen a slight downward trend in driving habits, which influences future allocations.

The Lead Abatement program, reflected in the Housing and Urban Development Programs fund, has generated a good deal of activity in the community. Expenditures in this area increased \$531,761 over last year, as the grant draws to a close at the end of 2005. The Section 8 program, on the other hand, is experiencing a slight decline in activity (\$-155,555) as HUD continues to revamp its local programs.

The ending fund balances in the Local Option Sales Tax fund have increased \$420,952 in anticipation of a capital storm sewer project to be done in the future. 20% of all Local Option Sales receipts are designated for storm sewer projects while 75% is designated for property tax relief and 5% to a cash flow reserve (\$1,985,932 in transfers out).

The Tax Increment Financing fund now qualifies as a major fund due to an increase in increment revenues. \$1,068,724 or 95% is dedicated to debt retirement while the remaining expenditures relate to other economic incentives.

The reduction in the Debt Service fund ending fund balance (\$-325,450) reflects the City's participation in the refunding of the 1998B Essential Corporate bond issue during this year. Favorable interest rates and the availability of these funds have allowed the City to reduce interest expense in the future.

The Public Works and Other Project Funds increased the ending fund balance by \$616,523 in anticipation of projects to be undertaken in the next few years, namely the Center Street Viaduct project and new construction at the Public Works Facility to accommodate further consolidation of workshops and snow removal facilities.

Proprietary funds. The City of Marshalltown's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

The ending net assets for the proprietary funds was \$32,839,084 a net asset increase of \$820,556. This increase reflects the increase in Storm Sewer capital assets, net of related debt with minor increases in the other funds . The unrestricted net assets of the five enterprise funds totaled \$3,462,591, 67 percent of the total enterprise funds (\$4,747,633) net assets, other than invested in capital assets net of related debt.

Budgetary Highlights

General Fund

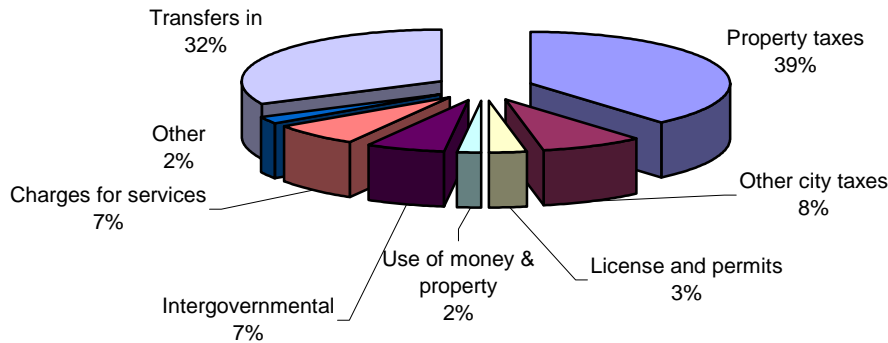
As demonstrated by the following schedule, the City continues to meet its responsibility for sound financial management. The City management acknowledged the City would have to hold the line on expenditures due to the continued cut back of state services despite increases in certain revenues .

Revenues for the general fund operations on the GAAP basis, lagged budgeted revenues estimates by \$224,633, and departmental expenditures on the budgetary basis were less than appropriated amounts by \$943,693.

The following schedule presents a summary of General Fund revenues and transfers in on the GAAP basis for the fiscal year ended June 30, 2005, and the amount and percentage of increases and decreases in relation to prior year revenues:

Revenues	2005 <u>Actual</u>	Percentage <u>of Total</u>	2004 <u>Actual</u>	Percentage <u>of Total</u>	Amount of <u>Change</u>	Percentage <u>of Change</u>
Property taxes	4,265,893	38.5%	4,246,695	39.1%	19,198	.5%
Other city taxes	938,128	8.5%	972,975	8.9%	(34,847)	-3.6%
License and permits	341,082	3.1%	321,265	3.0%	19,817	6.2%
Use of money & property	196,175	1.8%	118,611	1.1%	77,564	65.4%
Intergovernmental	720,527	6.5%	674,277	6.2%	46,250	6.9%
Charges for services	792,182	7.2%	913,361	8.4%	(121,179)	-13.3%
Other	260,931	2.4%	235,713	2.2%	25,218	10.7%
Transfers in	<u>3,551,497</u>	<u>32.1%</u>	<u>3,390,110</u>	<u>31.2%</u>	<u>161,387</u>	<u>4.8%</u>
Total	11,066,415	100.00%	10,873,007	100.00%	193,408	1.8%

General Fund Revenues and Transfers in 2005



Revenue for general fund functions totaled \$11,066,415 dollars (see Statement of Revenues, Expenditures and Change in Fund balances on page 33 of this report) in fiscal year ended June 30, 2005.

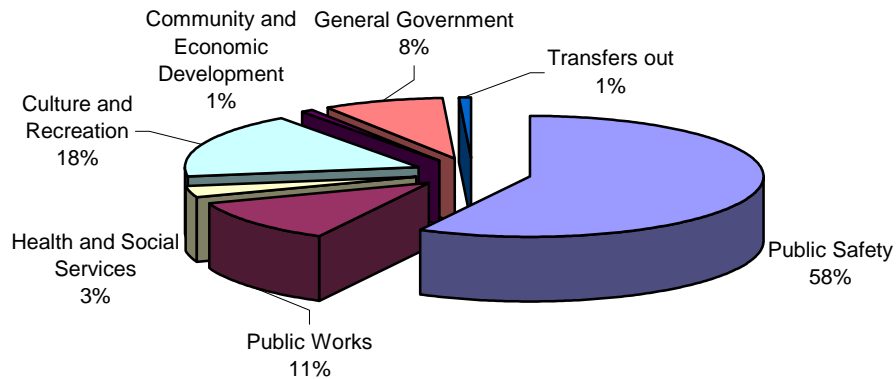
Current and prior year's property taxes continue to represent the largest revenue source, with \$4.3 million or 38.5% of all general fund revenues. The increase in property tax revenues from 2004 of \$19,198 is due to a modest increase in the taxable value of real estate. There was no increase in tax rate for this fiscal year within the general fund. The decrease in service revenues was due primarily to the cold season at the Aquatic Center. Other revenue reductions were in the areas of building permits and tax abatement applications and police and fire service fees.

In General Fund, a 65% increase in the use of money and property was due to the change in the investment market. The revenues were generated using time certificates of deposit rather than money market accounts.

The following schedule represents a summary of General Fund expenditures and transfers out on the GAAP basis of accounting for the fiscal year ended June 30, 2005, and the percentage of increases and decreases in relation to prior year amounts:

Expenditures	2005 Actual	Percentage of Total	2004 Actual	Percentage of Total	Amount of Change	Percentage of Change
Public Safety	6,529,449	57.9%	6,027,068	55.7%	502,381	8.3%
Public Works	1,297,542	11.5%	1,394,156	12.9%	(96,614)	-6.9%
Health and Social Services	346,400	3.1%	290,874	2.7%	55,526	19.1%
Culture and Recreation	1,996,232	17.7%	1,908,585	17.6%	87,647	4.6%
Community and Economic Development	77,615	0.7%	115,079	1.1%	(37,464)	-32.6%
General Government	934,954	8.3%	984,257	9.1%	(49,303)	-5.0%
Transfers out	<u>102,305</u>	<u>0.9%</u>	<u>107,361</u>	<u>1.0%</u>	<u>(5,056)</u>	<u>-4.7%</u>
Total	11,284,497	100.0%	10,827,380	100.0%	457,117	4.2%

General Fund Expenditures and Transfers Out 2005



Negotiated wage increases of approximately 3% were granted this year after last year's deferral which was due to cut backs from the state. Benefit and utility expenses are responsible for some expenditure increases across all functions. The largest increase in expenses in the general fund was due to the increased contribution rate for the Municipal Fire and Police Retirement System of Iowa. The influx in Health and Social Services spending was more a correction of costing expenses in the appropriate activity than an increase in expenses. Current cash flow projections and the management's stability of the City's general fund balance provide continued assurance that the City's need to enter the short-term debt market to pay for current expenditures remains remote.

Enterprise Operations

The City's enterprise operations consists of five separately accounted for operations which are administered by three different departments. Transit and the Compost facility are operated by the Public Works Department, Concessions is administered by Parks & Recreation and Storm Water and Water Pollution Control are administered by the WPC department.

Last year, the City negotiated a note with the Department of Natural Resources for \$4.36 million to rehabilitate the Bio-Solids Digesters at the Water Pollution Control Plant. Additionally, \$1.8 was used from the WPCP capital maintenance fund for the City's share of the \$6.1 million project. Due to favorable market conditions, the City also redeemed sewer revenue bonds using a current refunding bond.

Operating revenues for the City's combined enterprise operations increased by \$109,003. Transit revenues stabilized as state and federal funding became more predictable. Total operating expenses for the combined enterprise operations increased \$416,147. The 8% increase was due primarily to the 3% overall payroll and associated benefit increases and utilities in all areas.

Capital Asset and Debt Administration

Capital assets. The City of Marshalltown's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$102,751,055. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways and sewers. The total increase in the City of Marshalltown's investment in capital assets for the current fiscal year was \$1,947,534

City of Marshalltown's 2005 Capital Assets Governmental Activities

	FY 2004-05	FY 2003-04	Increase (decrease)
Land and Improvements	3,897,579	3,505,225	392,354
Buildings and Structures	7,426,139	7,512,989	(86,850)
Equipment and vehicles	11,838,567	11,427,097	411,470
Infrastructure	25,935,522	22,131,892	3,803,630
Construction in Progress	946,381	4,536,710	(3,590,329)
Total	50,044,188	49,113,913	930,275

City of Marshalltown's 2005 Capital Assets Business-type Activities

	FY 2004-05	FY 2003-04	Increase (decrease)
Land and Improvements	2,327,751	2,302,852	24,899
Buildings and Structures	11,072,189	6,819,293	4,252,896
Machinery and Equipment	13,146,296	11,420,856	1,725,440
Infrastructure, sewers & lift stations	26,157,744	24,582,771	1,574,973
Construction in Progress	2,887	6,563,836	(6,560,949)
Total	52,706,867	51,689,608	1,017,259

City of Marshalltown's 2005 Capital Assets Governmental and Business-type Activities

	FY 2004-05	FY 2003-04	Increase (decrease)
Land and Improvements	6,225,330	5,808,077	417,253
Buildings and Structures	18,498,328	14,332,282	4,166,046
Machinery and Equipment	24,984,863	22,847,953	2,136,910
Infrastructure, sewers & lift stations	52,093,266	46,714,663	5,378,603
Construction in Progress	949,268	11,100,546	(10,151,278)
Total	102,751,055	100,803,521	1,947,534

Major capital asset events during the current fiscal year included the following:

- The City made a prior period adjustment to reflect certain land parcels not previous included
- The amount of Local Option Sales Tax continues to exceed expectations
- The City accepted various subdivisions
- Increased tax increment financing to cover future debt liability

Additional information on the City of Marshalltown's capital assets can be found in note 5 on pages 53-54 of this report.

Long-term debt. At the end of the current fiscal year, the City of Marshalltown had total bonded debt outstanding of \$29,858,530. Of this amount, \$17,543,404 comprises debt backed by the full faith and credit of the city. The remainder of the City of Marshalltown's debt represents bonds secured solely by revenues generated from the sanitary sewer rental fees (\$7,678,000) or revenues generated by tax increment (4,637,126).

General Obligation and Revenue Bonds
(Stated in 1,000's)

	Governmental Activities		Increase
	FY 2004-05	FY 2003-04	(decrease)
General obligation bonds and notes payable	17,543	18,995	(1,452)
Revenue bonds and notes payable	4,637	5,448	(811)
Total	22,180	24,443	(2,263)

	Business-type Activities		Increase
	FY 2004-05	FY 2003-04	(decrease)
Revenue bonds and notes payable	7,678	8,143	(465)
Total	7,678	8,143	(465)

	Total Governmental and Business-type Activities		Increase
	FY 2004-05	FY 2003-04	(decrease)
General obligation bonds and notes payable	17,543	18,995	(1,452)
Revenue bonds	12,315	13,591	(1,276)
Total	29,858	32,586	(2,728)

The City of Marshalltown's total bonded debt decreased by 8.4% percent during the current fiscal year.

- The government refinanced some of its existing debt to take advantage of favorable interest rates.

- The City used Local Option Sales Tax (portion designated for property tax relief) in lieu of selling bonds for the completion of the Westwood Drive Street project
- The City of Marshalltown called a portion of the 2003 Bond Anticipation Notes for tax increment financing issue, lowering the debt liability and saving interest expense

The City of Marshalltown's bond rating of A2 was retained by Moody's for its general obligation and revenue bonds in March of 2005.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Marshalltown is \$51,475,436 which is significantly in excess of the City of Marshalltown's outstanding general obligation debt.

Additional information on the City of Marshalltown's long-term debt can be found in note 6 on pages 55-59 of this report.

Economic Factors and Next Year's Budgets and Rates

Marshalltown continues to be a viable economic center for central Iowa. The local economy of the City remains strong. We continue to experience consistent growth from housing starts and the Main Street business district. Refer to the transmittal letter for more information on the economic factors, initiatives and general activity of the fiscal year.

In adopting the budget for the ensuing fiscal year 2006, the City officials considered many factors in making decisions and estimates about the finances of the upcoming year. Interest earnings and sales taxes collected by the state indicated stable levels of certainty. The statewide police and fire retirement system increased the city's contribution by more than three percent to offset reduced interest earnings and contributions from the State. Only a few capital projects are scheduled due to the anticipation of completing a number of large multi year projects currently in the City of Marshalltown's capital improvement plan. A primary objective of the Council was to continue to provide basic city services to the citizens while attempting to keep the property tax rate substantially the same.

Other concerns in the forefront of revenue and expenditures projections include:

- the State's looming budget deficits, state economists continue to predict budget deficits
- uncertain projections for utility tax replacement now that the three year "hold harmless" has expired and the utility company has won their assessment appeal
- the high cost of lumber and steel curbing enthusiasm for construction
- another increase in City contribution rate for Police and Fire retirement system, with rumors of an increase for the IPERS covered employees as well
- cash balances were used to minimize the increase in taxes, additional expenses for retirement programs required additional tax askings
- the cost of health care continues to rise. Cost containment and changes in the City's plan have held 2005 increases however projections for 2006 are in the range of 7-10%. With only a 15% cost sharing by the employees, management is having difficulties getting other plan changes enacted.

Requests for Information

This financial report is designed to provide a general overview of the City of Marshalltown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Office of the Finance Director, 24 N. Center Street, Marshalltown, IA 50158-4911.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Assets					
Cash and cash equivalents	\$ 9,688,285	\$ 2,757,812	\$ 12,446,097	\$ 1,516,756	\$ 39,806
Receivables					
Property taxes					
Delinquent	113,820	-	113,820	-	-
Succeeding year	7,363,490	-	7,363,490	-	-
Accounts and unbilled usage	231,767	639,683	871,450	235,440	-
Interest	70,631	40,807	111,438	10,998	-
Due from component unit	12,637	218,197	230,834	-	-
Due from other governments	1,393,087	8,405	1,401,492	-	-
Inventories	-	35,456	35,456	-	-
Prepaid items	348,375	57,039	405,414	63,252	1,330
Deferred charges					
Bond issuance costs	102,559	57,040	159,599	4,412	-
Deferred amount on refunding	-	25,455	25,455	-	-
Bond discount	4,393	2,979	7,372	-	-
Restricted assets					
Cash and cash equivalents	-	1,285,042	1,285,042	128,208	-
Capital assets					
Land	2,768,257	477,856	3,246,113	1,113,721	-
Land improvements	1,129,322	1,849,895	2,979,217	-	-
Buildings and structures	7,426,139	11,072,189	18,498,328	9,112,331	-
Equipment and vehicles	11,838,567	13,146,296	24,984,863	2,175,120	123,737
Sanitary sewers and lift stations	-	15,400,034	15,400,034	8,478,984	-
Infrastructure	25,935,522	10,757,710	36,693,232	-	-
Construction in progress	946,381	2,887	949,268	-	-
Accumulated depreciation	(18,376,734)	(16,937,416)	(35,314,150)	(8,824,638)	(67,942)
Total assets	50,996,498	40,897,366	91,893,864	14,014,584	96,931

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
AS OF JUNE 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
Liabilities					
Accounts payable	\$ 793,131	\$ 135,627	\$ 928,758	\$ 93,119	\$ 566
Accrued payroll and payroll benefits	129,243	21,134	150,377	44,437	1,359
Retainage payable	68,482	3,097	71,579	-	-
Deferred revenue					
Succeeding year property tax	7,363,490	-	7,363,490	-	-
Other	22,998	-	22,998	-	-
Premium on bonds sold	13,071	6,917	19,988	-	-
Due to other governments	92,261	17,295	109,556	-	-
Accrued interest payable	85,613	32,876	118,489	-	-
Due to primary government	-	-	-	230,834	-
Liabilities payable from restricted assets					
Customer deposits	-	-	-	128,090	-
Noncurrent liabilities					
Due within one year					
Bonds and notes payable	1,453,840	746,000	2,199,840	330,000	-
Urban renewal tax increment revenue bonds and notes payable	116,500	-	116,500	-	-
Compensated absences payable	482,029	64,793	546,822	74,044	-
Due in more than one year					
Bonds and notes payable	16,089,564	6,932,000	23,021,564	710,000	-
Urban renewal tax increment revenue bonds and notes payable	4,520,626	-	4,520,626	-	-
Compensated absences payable	413,084	98,543	511,627	-	-
Total liabilities	<u>31,643,932</u>	<u>8,058,282</u>	<u>39,702,214</u>	<u>1,610,524</u>	<u>1,925</u>
Net assets					
Invested in capital assets, net of related debt	9,538,473	28,091,451	37,629,924	11,015,519	55,795
Restricted for					
Capital projects	429,457	-	429,457	-	-
Improvements	-	250,000	250,000	-	-
Community and economic development	136,391	-	136,391	-	-
Debt service	833,058	1,035,042	1,868,100	250,925	-
Parks, nonexpendable	2,366	-	2,366	-	-
Unrestricted	<u>8,412,821</u>	<u>3,462,591</u>	<u>11,875,412</u>	<u>1,137,616</u>	<u>39,211</u>
Total net assets	<u>\$ 19,352,566</u>	<u>\$ 32,839,084</u>	<u>\$ 52,191,650</u>	<u>\$ 12,404,060</u>	<u>\$ 95,006</u>

See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
Public safety	\$ 6,718,838	\$ 257,712	\$ 537,675	\$ 51,141
Public works	4,975,532	401,644	2,175,012	291,988
Health and social services	1,336,175	21,174	820,136	-
Culture and recreation	2,356,111	632,892	172,162	628,390
Community and economic development	1,743,784	307,867	1,560,453	-
General government	975,510	101,726	125	-
Interest on long-term debt	1,037,688	-	-	-
Total governmental activities	<u>19,143,638</u>	<u>1,723,015</u>	<u>5,265,563</u>	<u>971,519</u>
Business-type activities				
Storm sewer	472,913	306,892	15,219	903,783
Water pollution control	4,153,055	3,649,510	44,499	372,804
Compost	47,634	35,620	-	-
Concessions	44,416	59,149	-	-
Transit	419,640	123,760	213,408	-
Total business-type activities	<u>5,137,658</u>	<u>4,174,931</u>	<u>273,126</u>	<u>1,276,587</u>
Total primary government	<u>\$ 24,281,296</u>	<u>\$ 5,897,946</u>	<u>\$ 5,538,689</u>	<u>\$ 2,248,106</u>
Component units				
Water works	\$ 2,842,195	\$ 3,171,767	\$ -	\$ -
Convention and tourism	155,731	154,537	50,000	-
Total component units	<u>\$ 2,997,926</u>	<u>\$ 3,326,304</u>	<u>\$ 50,000</u>	<u>\$ -</u>
General Revenues				
Taxes				
Property				
Other				
State generated revenues				
Unrestricted investment earnings				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Marshalltown Water Works	Marshalltown Convention and Visitors Bureau
\$ (5,872,310)	\$ -	\$ (5,872,310)	\$ -	\$ -
(2,106,888)	-	(2,106,888)	-	-
(494,865)	-	(494,865)	-	-
(922,667)	-	(922,667)	-	-
124,536	-	124,536	-	-
(873,659)	-	(873,659)	-	-
(1,037,688)	-	(1,037,688)	-	-
<u>(11,183,541)</u>	<u>-</u>	<u>(11,183,541)</u>	<u>-</u>	<u>-</u>
-	752,981	752,981	-	-
-	(86,242)	(86,242)	-	-
-	(12,014)	(12,014)	-	-
-	14,733	14,733	-	-
-	(82,472)	(82,472)	-	-
<u>-</u>	<u>586,986</u>	<u>586,986</u>	<u>-</u>	<u>-</u>
<u>\$ (11,183,541)</u>	<u>\$ 586,986</u>	<u>\$ (10,596,555)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 329,572	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,806</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,572</u>	<u>\$ 48,806</u>
\$ 6,660,061	\$ -	\$ 6,660,061	\$ -	\$ -
5,891,242	-	5,891,242	-	-
401,992	-	401,992	-	-
288,581	113,190	401,771	32,244	241
726,918	-	726,918	-	-
(120,380)	120,380	-	-	-
<u>13,848,414</u>	<u>233,570</u>	<u>14,081,984</u>	<u>32,244</u>	<u>241</u>
2,664,873	820,556	3,485,429	361,816	49,047
<u>16,687,693</u>	<u>32,018,528</u>	<u>48,706,221</u>	<u>12,042,244</u>	<u>45,959</u>
<u>\$ 19,352,566</u>	<u>\$ 32,839,084</u>	<u>\$ 52,191,650</u>	<u>\$ 12,404,060</u>	<u>\$ 95,006</u>

CITY OF MARSHALLTOWN, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

		Special Revenue Funds		
	General	Road Use Tax	HUD Programs	Local Option Sales Tax
Assets				
Cash and cash equivalents	\$ 2,342,998	\$ 1,677,561	\$ 321,413	\$ 407,221
Receivables				
Property taxes				
Delinquent	57,585	-	-	-
Succeeding year	4,873,553	-	-	-
Accounts and unbilled usage	164,094	-	20,944	-
Interest	39,295	-	-	1,116
Due from other funds	164,030	-	586	-
Due from component unit	12,637	-	-	-
Due from other governments	195,237	171,463	107,610	377,414
Prepaid items	270,400	5,299	6,937	-
Total assets	\$ 8,119,829	\$ 1,854,323	\$ 457,490	\$ 785,751
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 161,536	\$ 43,789	\$ 91,158	\$ 14,536
Accrued payroll and payroll benefits	124,758	-	3,370	-
Retainage payable	-	-	-	-
Deferred revenue				
Succeeding year property tax	4,873,553	-	-	-
Other	111,858	-	127,373	-
Due to other governments	-	-	92,261	-
Due to other funds	-	28,492	-	341,758
Total liabilities	5,271,705	72,281	314,162	356,294
Fund balances				
Reserved for				
Prepaid items	270,400	5,299	6,937	-
Debt service	-	-	-	-
Endowments	-	-	-	-
Community and economic development	-	-	136,391	-
Capital projects	-	-	-	429,457
Unreserved, designated for				
Future equipment and capital maintenance	106,764	-	-	-
Future cash flow	1,491,261	-	-	-
Future landfill fees	149,829	-	-	-
Unreserved, undesignated	829,870	1,776,743	-	-
Unreserved, reported in nonmajor				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	2,848,124	1,782,042	143,328	429,457
Total liabilities and fund balances	\$ 8,119,829	\$ 1,854,323	\$ 457,490	\$ 785,751

See notes to financial statements.

Tax Increment Financing	Debt Service	Capital Projects Funds		Total
		Public Works and Other Projects	Other Governmental Funds	
\$ 594,151	\$ 202,969	\$ 1,665,199	\$ 1,504,543	\$ 8,716,055
24,451	17,505	4,423	9,856	113,820
-	1,509,838	365,353	614,746	7,363,490
-	-	18,252	28,477	231,767
4,687	-	11,875	8,125	65,098
-	-	1,928	342,311	508,855
-	-	-	-	12,637
4,282	3,054	7,657	526,370	1,393,087
22,917	-	-	41,022	346,575
<u>\$ 650,488</u>	<u>\$ 1,733,366</u>	<u>\$ 2,074,687</u>	<u>\$ 3,075,450</u>	<u>\$ 18,751,384</u>
\$ 11,596	\$ 6,250	\$ 114,647	\$ 84,604	\$ 528,116
-	-	336	779	129,243
-	-	45,580	22,902	68,482
-	1,509,838	365,353	614,746	7,363,490
-	195	18,306	147,808	405,540
-	-	-	-	92,261
-	-	14,136	122,007	506,393
<u>11,596</u>	<u>1,516,283</u>	<u>558,358</u>	<u>992,846</u>	<u>9,093,525</u>
22,917	-	-	41,022	346,575
615,975	217,083	-	-	833,058
-	-	-	2,366	2,366
-	-	-	-	136,391
-	-	-	-	429,457
-	-	-	-	106,764
-	-	-	-	1,491,261
-	-	-	-	149,829
-	-	1,516,329	-	4,122,942
-	-	-	1,594,418	1,594,418
-	-	-	444,798	444,798
<u>638,892</u>	<u>217,083</u>	<u>1,516,329</u>	<u>2,082,604</u>	<u>9,657,859</u>
<u>\$ 650,488</u>	<u>\$ 1,733,366</u>	<u>\$ 2,074,687</u>	<u>\$ 3,075,450</u>	<u>\$ 18,751,384</u>

CITY OF MARSHALLTOWN, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total governmental fund balances \$ 9,657,859

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 50,044,188	
Accumulated depreciation is	<u>(18,376,734)</u>	
		31,667,454

Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. Those revenues consist of:

Property tax revenue	693	
Mobile home taxes	367	
Intergovernmental revenue	225,845	
Charges for services	<u>155,637</u>	
		382,542

Internal service funds are used by the City's management to charge the costs of self-insurance programs to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

712,086

Some liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Those liabilities consist of:

Long-term debt, net of deferrals	(22,086,649)	
Accrued interest on the bonds	(85,613)	
Compensated absences	<u>(895,113)</u>	
		<u>(23,067,375)</u>

Net assets of governmental activities	\$ <u>19,352,566</u>
---------------------------------------	----------------------

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General	Special Revenue Funds		
		Road Use Tax	HUD Programs	Local Option Sales Tax
Revenues				
Property taxes	\$ 4,265,893	\$ -	\$ -	\$ -
TIF revenues	-	-	-	-
Other city taxes	938,128	-	-	2,528,335
Use of money and property	196,175	-	8,351	21,871
Licenses and permits	341,082	-	-	-
Intergovernmental	720,527	2,161,655	2,322,184	-
Charges for services	792,182	-	694	-
Special assessments	-	-	-	-
Miscellaneous	260,931	-	45,975	-
Total revenues	<u>7,514,918</u>	<u>2,161,655</u>	<u>2,377,204</u>	<u>2,550,206</u>
Expenditures				
Current				
Public safety	6,529,449	-	-	-
Public works	1,297,542	1,043,581	-	143,322
Health and social services	346,400	-	1,017,043	-
Culture and recreation	1,996,232	-	-	-
Community and economic development	77,615	-	1,488,732	-
General government	934,954	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>11,182,192</u>	<u>1,043,581</u>	<u>2,505,775</u>	<u>143,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,667,274)</u>	<u>1,118,074</u>	<u>(128,571)</u>	<u>2,406,884</u>
Other financing sources (uses)				
Sale of governmental assets	304,124	-	-	-
General obligation refunding bonds issued	-	-	-	-
Capital loan notes issued	137,020	-	-	-
Transfers in	3,551,497	-	28,377	-
Transfers out	(102,305)	(947,623)	-	(1,985,932)
Total other financing sources (uses)	<u>3,890,336</u>	<u>(947,623)</u>	<u>28,377</u>	<u>(1,985,932)</u>
Net change in fund balances	<u>223,062</u>	<u>170,451</u>	<u>(100,194)</u>	<u>420,952</u>
Fund balances - beginning, as restated	<u>2,625,062</u>	<u>1,611,591</u>	<u>243,522</u>	<u>8,505</u>
Fund balances - ending	<u>\$ 2,848,124</u>	<u>\$ 1,782,042</u>	<u>\$ 143,328</u>	<u>\$ 429,457</u>

See notes to financial statements.

Tax Increment Financing	Debt Service	Capital Projects Funds		Other Governmental Funds	Total
		Public Works and Other Projects			
\$ -	\$ 1,335,961	\$ 327,182	\$ 730,460	\$ 6,659,496	
2,312,752	-	-	-	2,312,752	
-	158,404	44,364	333,294	4,002,525	
22,316	26,756	32,421	34,534	342,424	
-	-	-	-	341,082	
41,121	66,273	17,760	760,017	6,089,537	
-	-	136	99,882	892,894	
-	-	-	317	317	
-	-	45,815	303,646	656,367	
<u>2,376,189</u>	<u>1,587,394</u>	<u>467,678</u>	<u>2,262,150</u>	<u>21,297,394</u>	
-	-	-	478,171	7,007,620	
18,195	-	1,505,127	51,533	4,059,300	
-	-	-	19,805	1,383,248	
-	-	-	755,356	2,751,588	
163,685	-	56	-	1,730,088	
445	-	227,539	1,082	1,164,020	
811,062	3,390,000	-	-	4,201,062	
<u>257,662</u>	<u>807,855</u>	<u>-</u>	<u>-</u>	<u>1,065,517</u>	
<u>1,251,049</u>	<u>4,197,855</u>	<u>1,732,722</u>	<u>1,305,947</u>	<u>23,362,443</u>	
<u>1,125,140</u>	<u>(2,610,461)</u>	<u>(1,265,044)</u>	<u>956,203</u>	<u>(2,065,049)</u>	
-	-	185,450	-	489,574	
-	1,795,421	-	-	1,795,421	
-	-	-	-	137,020	
-	489,590	1,928,296	538,145	6,535,905	
<u>(696,496)</u>	<u>-</u>	<u>(232,179)</u>	<u>(2,691,750)</u>	<u>(6,656,285)</u>	
<u>(696,496)</u>	<u>2,285,011</u>	<u>1,881,567</u>	<u>(2,153,605)</u>	<u>2,301,635</u>	
428,644	(325,450)	616,523	(1,197,402)	236,586	
<u>210,248</u>	<u>542,533</u>	<u>899,806</u>	<u>3,280,006</u>	<u>9,421,273</u>	
<u>\$ 638,892</u>	<u>\$ 217,083</u>	<u>\$ 1,516,329</u>	<u>\$ 2,082,604</u>	<u>\$ 9,657,859</u>	

CITY OF MARSHALLTOWN, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances – total governmental funds	\$	236,586
--	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds.

However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital outlay	\$	1,541,005	
Book value of disposals		(306,028)	
Capital contributions		293,690	
Depreciation expense		<u>(1,795,365)</u>	
Net change in capital assets			(266,698)

Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased (decreased) by these amounts this year:

Property taxes	565	
Mobile home taxes	(439)	
Intergovernmental	(16,412)	
Charges for services	<u>185,381</u>	
		169,295

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. In the current period, these amounts are:

Bond repayments	4,201,062	
Bond proceeds, net discount and issuance costs	<u>(1,911,249)</u>	
Net effect		2,289,813

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

Increase in accrued interest and bond issuance costs amortized	7,774	
Increase in compensated absences	<u>48,505</u>	
Total additional expenses		56,279

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is reported with governmental activities.

Change in net assets of governmental activities	<u>\$</u>	<u>2,664,873</u>
---	-----------	------------------

See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	
Assets					
Current assets					
Cash and cash equivalents	\$ 2,436,084	\$ 95,846	\$ 225,882	\$ 2,757,812	\$ 972,230
Receivables					
Accounts and unbilled usage	609,679	24,855	5,149	639,683	-
Interest	40,083	362	362	40,807	5,533
Due from component unit	194,213	23,984	-	218,197	-
Due from other governments	8,405	-	-	8,405	-
Inventories	29,770	-	5,686	35,456	-
Prepaid items	38,609	7,521	10,909	57,039	1,800
Deferred charges					
Bond issuance costs	57,040	-	-	57,040	-
Deferred amount on refunding	25,455	-	-	25,455	-
Bond discount	2,979	-	-	2,979	-
Total current assets	<u>3,442,317</u>	<u>152,568</u>	<u>247,988</u>	<u>3,842,873</u>	<u>979,563</u>
Noncurrent assets					
Restricted assets, cash and cash equivalents	1,285,042	-	-	1,285,042	-
Capital assets					
Land	364,920	102,499	10,437	477,856	-
Land improvements	1,606,799	-	243,096	1,849,895	-
Buildings and structures	10,362,141	6,000	704,048	11,072,189	-
Equipment and vehicles	12,363,260	90,609	692,427	13,146,296	-
Sanitary sewers and lift stations	15,370,590	29,444	-	15,400,034	-
Infrastructure	-	10,757,710	-	10,757,710	-
Construction in progress	2,887	-	-	2,887	-
Accumulated depreciation	<u>(14,181,594)</u>	<u>(2,088,069)</u>	<u>(667,753)</u>	<u>(16,937,416)</u>	<u>-</u>
Total noncurrent assets	<u>27,174,045</u>	<u>8,898,193</u>	<u>982,255</u>	<u>37,054,493</u>	<u>-</u>
Total assets	<u>30,616,362</u>	<u>9,050,761</u>	<u>1,230,243</u>	<u>40,897,366</u>	<u>979,563</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	
Liabilities					
Current liabilities					
Accounts payable	\$ 86,258	\$ 40,558	\$ 8,811	\$ 135,627	\$ 265,015
Accrued payroll and payroll benefits	14,393	2,156	4,585	21,134	-
Retainage payable	3,097	-	-	3,097	-
Premium on bonds sold	6,917	-	-	6,917	-
Due to other governments	17,295	-	-	17,295	-
Due to other funds	-	-	-	-	2,462
Accrued interest payable	32,876	-	-	32,876	-
Compensated absences	61,131	-	3,662	64,793	-
Sewer revenue capital loan note	1,000	-	-	1,000	-
Revenue bonds	745,000	-	-	745,000	-
Total current liabilities	967,967	42,714	17,058	1,027,739	267,477
Noncurrent liabilities					
Compensated absences	73,205	17,606	7,732	98,543	-
Sewer revenue capital loan note	4,347,000	-	-	4,347,000	-
Revenue bonds	2,585,000	-	-	2,585,000	-
Total noncurrent liabilities	7,005,205	17,606	7,732	7,030,543	-
Total liabilities	7,973,172	60,320	24,790	8,058,282	267,477
Net assets					
Invested in capital assets, net of related debt	18,211,003	8,898,193	982,255	28,091,451	-
Restricted net assets					
Restricted for bond and interest payments	1,035,042	-	-	1,035,042	-
Restricted for improvements	250,000	-	-	250,000	-
Unrestricted	3,147,145	92,248	223,198	3,462,591	712,086
Total net assets	\$ 22,643,190	\$ 8,990,441	\$ 1,205,453	\$ 32,839,084	\$ 712,086

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	
Operating revenues					
Charges for services	\$ 3,488,658	\$ 306,892	\$ 218,529	\$ 4,014,079	\$ 1,922,755
Miscellaneous	160,852	-	-	160,852	59,866
Total operating revenues	<u>3,649,510</u>	<u>306,892</u>	<u>218,529</u>	<u>4,174,931</u>	<u>1,982,621</u>
Operating expenses					
Salaries and benefits	1,073,687	139,989	277,019	1,490,695	-
Services and supplies	1,500,577	119,266	151,763	1,771,606	9,551
Miscellaneous	7,453	-	-	7,453	116,536
Claims paid	-	-	-	-	1,451,224
Health insurance premiums	-	-	-	-	246,286
Depreciation	1,147,899	213,658	82,908	1,444,465	-
Total operating expenses	<u>3,729,616</u>	<u>472,913</u>	<u>511,690</u>	<u>4,714,219</u>	<u>1,823,597</u>
Operating income (loss)	<u>(80,106)</u>	<u>(166,021)</u>	<u>(293,161)</u>	<u>(539,288)</u>	<u>159,024</u>
Nonoperating revenues (expenses)					
Federal and state grants	44,499	15,219	213,408	273,126	-
Interest income	108,425	1,831	2,934	113,190	20,574
Interest and other debt expense	(331,773)	-	-	(331,773)	-
Gain (losses) on disposal of fixed assets	<u>(91,666)</u>	<u>-</u>	<u>-</u>	<u>(91,666)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(270,515)</u>	<u>17,050</u>	<u>216,342</u>	<u>(37,123)</u>	<u>20,574</u>
Income (loss) before capital contributions and transfers	<u>(350,621)</u>	<u>(148,971)</u>	<u>(76,819)</u>	<u>(576,411)</u>	<u>179,598</u>
Capital contributions	372,804	903,783	-	1,276,587	-
Transfers in	<u>4,884</u>	<u>-</u>	<u>115,496</u>	<u>120,380</u>	<u>-</u>
Change in net assets	27,067	754,812	38,677	820,556	179,598
Total net assets - beginning, as restated	<u>22,616,123</u>	<u>8,235,629</u>	<u>1,166,776</u>	<u>32,018,528</u>	<u>532,488</u>
Total net assets - ending	<u>\$ 22,643,190</u>	<u>\$ 8,990,441</u>	<u>\$ 1,205,453</u>	<u>\$ 32,839,084</u>	<u>\$ 712,086</u>

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewer	Enterprise - Nonmajor	Total	
Cash flows from operating activities					
Cash received from customers	\$ 3,499,161	\$ 307,089	\$ 222,776	\$ 4,029,026	\$ 1,922,755
Cash payments to suppliers for goods and services	(1,594,815)	(107,868)	(139,938)	(1,842,621)	(1,800,635)
Cash payments to employees for services	(1,106,467)	(145,166)	(286,238)	(1,537,871)	-
Other operating revenue	160,852	-	-	160,852	59,866
Net cash provided (used) by operating activities	958,731	54,055	(203,400)	809,386	181,986
Cash flows from noncapital financing activities					
Transfers from other funds	4,884	-	115,496	120,380	-
Grants received	44,499	15,219	213,408	273,126	-
Increase (decrease) in due to other funds	(9,129)	-	-	(9,129)	(4,461)
Net cash provided by noncapital financing activities	40,254	15,219	328,904	384,377	(4,461)
Cash flows from capital and related financing activities					
Acquisition and construction of property and equipment	(806,948)	(923,678)	-	(1,730,626)	-
Proceeds from issuance of debt	2,241,362	-	-	2,241,362	-
Payment of debt	(2,706,000)	-	-	(2,706,000)	-
Interest paid	(335,548)	-	-	(335,548)	-
Contributions	372,804	903,783	-	1,276,587	-
Net cash used by capital and related financing activities	(1,234,330)	(19,895)	-	(1,254,225)	-
Cash flows from investing activities					
Interest received on investment securities	68,528	1,479	2,577	72,584	15,064
Net increase (decrease) in cash and cash equivalents	(166,817)	50,858	128,081	12,122	192,589
Cash and cash equivalents, beginning	3,887,943	44,988	97,801	4,030,732	779,641
Cash and cash equivalents, ending	\$ 3,721,126	\$ 95,846	\$ 225,882	\$ 4,042,854	\$ 972,230

(continued)

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Storm Sewers	Enterprise - Nonmajor	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (80,106)	\$ (166,021)	\$ (293,161)	\$ (539,288)	\$ 159,024
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,147,899	213,658	82,908	1,444,465	-
Changes in assets and liabilities					
Decrease (increase) in receivables	15,662	197	6,168	22,027	-
Decrease (increase) in inventories and prepaid items	1,739	(1,907)	11,958	11,790	1,853
Increase (decrease) in accounts payable	(96,564)	13,305	(2,054)	(85,313)	21,109
Increase in accrued liabilities	(32,780)	(5,177)	(9,219)	(47,176)	-
Increase in due to other governments	2,881	-	-	2,881	-
Total adjustments	1,038,837	220,076	89,761	1,348,674	22,962
Net cash provided (used) by operating activities	\$ 958,731	\$ 54,055	\$ (203,400)	\$ 809,386	\$ 181,986

See notes to financial statements.

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Police Pension</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 3,550	\$ 238,170
Prepaid items	<u>-</u>	<u>14,292</u>
Total assets	<u>3,550</u>	<u>252,462</u>
Liabilities		
Accrued payroll and payroll benefits	-	250,614
Due to other governments	<u>-</u>	<u>1,848</u>
Total liabilities	<u>-</u>	<u>\$ 252,462</u>
Net assets		
Held in trust for pension benefits	<u><u>\$ 3,550</u></u>	

CITY OF MARSHALLTOWN, IOWA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Police Pension</u>
Additions, investment income, interest	\$ 134
Deductions, benefits	<u>6,939</u>
Change in net assets	(6,939)
Net assets - beginning	<u>10,355</u>
Net assets - ending	<u>\$ 3,416</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marshalltown, Iowa (City) was incorporated in 1863 under the laws of the state of Iowa, later amended in July 1975, under the City Home Rule Act. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Reporting Entity

For financial reporting purposes, the City of Marshalltown, Iowa, has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens, on the City.

These financial statements present the City of Marshalltown, Iowa (the primary government) and its component units. The following component units are entities which are legally separate from the City, but are financially accountable to the City or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units: The Marshalltown Water Works (Water Works) was established to operate the City's water works facilities. The Water Works is governed by a three-member board of trustees appointed by the Mayor. A financial benefit/burden relationship exists between the City and the Water Works in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Works is presented as a proprietary fund type and has a June 30 year-end.

The Marshalltown Convention and Visitors Bureau (Bureau) was established to promote and develop the visitor and convention business and for economic development within the community. The Bureau is governed by a nine-member board of directors comprised of two members appointed solely by the City Council, two members appointed solely by the Executive Board of the Chamber of Commerce and five members appointed jointly by the City Council and Executive Board of the Chamber of Commerce, from the general public (one member) and the hospitality industry (four members). The Bureau may not borrow money or issue bonds without written permission of the City. The Bureau is presented as a proprietary fund type and has a May 31 year-end.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Complete financial statements for each of the individual component units may be obtained at the respective entity's administrative office as follows:

Marshalltown Water Works
205 East State Street
Marshalltown, Iowa 50158

Marshalltown Convention and Visitors Bureau
709 South Center Street
Marshalltown, Iowa 50158

Jointly Governed Organizations: The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. The City Council is a member of or appoints representatives to the following boards and commissions: Mid Iowa Drug Task Force, Marshall County Emergency Management Commission, Marshall County Communication Commission, Marshall County Assessor's Conference Board and the Marshall County Solid Waste Management Commission. Financial transactions relating to these organizations are included in the City's financial statements only to the extent of the City's contributions, if any, to these organizations.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment including special assessments. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes are recognized as revenue in the year for which they have been levied, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 60 days after year-end. Other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenues are generally recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The *Road Use Tax Fund* is used to account for the operations of street related expenses. Financing is provided by the City's share of state gasoline taxes, which are received on a per capita basis. State law requires these revenues to be received and disbursed in a special fund.

The *HUD Programs Fund* is used to account for the operations of a Federal Section 8 rental voucher assistance program, a grant from HUD to assist with security deposits and first month's rent program, and lead abatement program.

The *Local Option Sales Tax Fund* is used to account for the sale and service taxes collected to be applied to general property tax relief, accumulation of cash reserves and for storm sewer maintenance and improvements and related street repairs.

The *Tax Increment Financing Fund* is used to account for revenue taxes levied for specific uses within the designated district. Specific uses may include the construction of infrastructure and payments associated with debt and other development agreements.

The *Debt Service Fund* is used to account for the servicing of general obligation debt.

The *Public Works and Other Projects Fund* is used to account for resources used in the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed through the Recreation Projects Fund, Airport Fund, or through proprietary funds.

The City reports the following major proprietary funds:

The *Water Pollution Control Fund* is used to account for the operation and maintenance of the City's wastewater treatment facility and sanitary sewer. Services are supported primarily by user charges.

The *Storm Sewer Fund* is used to account for the operation of the City's storm sewers. Services are supported primarily by user charges.

Additionally, the City reports the following fund types:

Internal service funds account for group insurance benefits, occupational insurance benefits, flexible benefits, and workmen's compensation benefits provided to other departments on a cost reimbursement basis.

The Police Pension Trust Fund is used to account for pensions of disabled and retired policemen as provided by Chapter 410 of the Code of Iowa.

Agency funds function primarily as a clearing mechanism for cash resources which are collected by the City, held as such for a brief period and then disbursed to the authorized recipient.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water pollution control function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, Cash Equivalents, and Investments. The City maintains a cash and investment pool. These pooled deposits are invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash and investments is recognized as revenue when earned and allocated to the funds on a systematic basis. Cash and investments are separately held by the discretely presented component units for which interest is also recognized as revenue when earned.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust which is a 2a7-like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administrated by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Property Tax Receivable. Property tax, including tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2005, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2004 and March 31, 2005. Any County collections on the 2003-04 tax levy remitted to the City within sixty days subsequent to June 30, 2005, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2005, are delinquent and have been recorded as receivables. This amount is recorded as deferred revenue in the governmental funds but is recognized as revenue in the government-wide financial statements.

Accounts Receivable and Unbilled Usage. Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Due From Other Governments. Due from other governments represents various shared revenues, grants, and reimbursements from other governments. Shared revenues are recognized during the period when received by the collecting authority, the State of Iowa. Federal grant revenue is recognized when expenditures for the purpose of the grant have been incurred in the government-wide financial statements and as long as it meets the measurable and available criteria in the governmental fund statements.

Inventories and Prepaid Items. Inventories of materials and supplies in the proprietary fund types are stated at cost (first-in, first-out).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Reported prepaid items in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

Restricted Assets. Funds set aside for the payment of City enterprise and component unit revenue bonds are classified as restricted assets since their use is restricted by applicable bond indentures. Other restricted assets include funds for customer deposits restricted for application to unpaid customer accounts or for refund to customers.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Deferred Revenue in Governmental Funds. Although certain revenues are measurable, they may not be available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable, special assessments receivable, succeeding year property tax receivable, and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences. City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 1,440 hours for municipal fire employees and 1,040 hours for all others, upon retirement if the employee has at least 15 years of service. All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. Governmental funds record the earned vacation and vested sick leave hours as an expenditure of the current year to the extent it is paid during the year. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2005.

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The liability is recorded on the statement of net assets based on rates of pay in effect as of June 30, 2005.

Long-Term Obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity. In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements and the proprietary fund financial statements, restrictions of net assets are limited to outside third-party restrictions.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (\$50,000 for infrastructure) and an estimated useful life in excess of two years. All land is recorded regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-30
Buildings and structures	30-50
Equipment and vehicles	5-30
Sanitary sewers and lift stations	30-50
Infrastructure	20-50

Property, plant and equipment of the Water Works is depreciated using the straight line method over the following estimated useful lives.

	<u>Years</u>
Plants, wells, and storage	10-40
Distribution property	50-99
Meters	10-20
Vehicles	5
Equipment	7-10

Statement of Cash Flows – Cash Equivalents. For purposes of the statement of cash flows for the proprietary funds and the component units, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase they have a maturity date no longer than three months.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the health and social services, debt service, and business activities functions.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits. On June 30, 2005, the carrying amount of the City's deposits was \$13,972,859 and the bank balances were \$14,398,086. The City's deposits in banks at June 30, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

As of June 30, 2005, the City's carrying amount of deposits, related bank balances, and other cash, including fiduciary funds, were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 2,770,433	\$ 3,198,086
Certificates of deposits	11,200,000	11,200,000
Petty cash	2,426	-
Total	<u>\$ 13,972,859</u>	<u>\$ 14,398,086</u>

The Marshalltown Water Works' carrying amount of deposits was \$1,644,964 all of which was covered by federal depository insurance or insured by the state through pooled collateral, State Sinking Funds and by the state's ability to assess for lost funds.

The Convention and Visitors Bureau's deposits carrying amount and bank balance amount was \$39,806 all of which was covered by federal depository insurance.

The City and the Water Works are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk. The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within fifteen months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. The City did not hold any instruments with a maturity greater than 397 days during the year.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Credit Risk. The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk. The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no such investments during the year.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City did not hold any investments during the year.

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Interfund balances as of June 30, 2005, consisted of the following:

	Due from					Total
	Local Option Sales Tax	Road Use Tax	Public Works and Other Projects	Nonmajor Govern- mental	Internal Service	
Due to:						
General	\$ -	\$ 28,492	\$ 13,583	\$ 119,493	\$ 2,462	\$ 164,030
HUD programs	-	-	-	586	-	586
Public works and other projects	-	-	-	1,928	-	1,928
Nonmajor governmental	<u>341,758</u>	<u>-</u>	<u>553</u>	<u>-</u>	<u>-</u>	<u>342,311</u>
	<u>\$ 341,758</u>	<u>\$ 28,492</u>	<u>\$ 14,136</u>	<u>\$ 122,007</u>	<u>\$ 2,462</u>	<u>\$ 508,855</u>

The interfund balances results from time lag between the time expenditures were incurred and when the actual transfer is made.

Due to/from primary government and component unit:

Receivable Entity	Payable Entity	Amount
Primary Government:	Component Unit:	
General	Water Works	\$ 12,637
Enterprise Fund, Water Pollution Control	Water Works	194,213
Enterprise Fund, Storm Sewer	Water Works	23,984
		<u>\$ 230,834</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfers to general fund from	
Road use tax	\$ 726,233
Local option sales tax	107,818
Public works and other capital projects	158,957
Nonmajor governmental funds	<u>2,558,489</u>
Total transfers to general fund	<u>\$ 3,551,497</u>
Transfers to HUD programs fund from	
Nonmajor governmental funds	<u>\$ 28,377</u>
Transfers to debt service fund from	
Tax increment financing	<u>\$ 489,590</u>
Transfers to public works and other capital projects fund from	
Local option sales tax	\$ 1,400,000
Road use tax	221,390
Tax increment financing	206,906
Nonmajor governmental funds	<u>100,000</u>
Total transfers to public works and other capital projects fund	<u>\$ 1,928,296</u>
Transfers to nonmajor governmental funds from	
General fund	\$ 1,563
Public works and other capital projects	73,222
Local option sales tax	<u>463,360</u>
Total transfers to nonmajor governmental funds	<u>\$ 538,145</u>
Transfers to water pollution control fund from	
Nonmajor governmental funds	<u>\$ 4,884</u>
Transfers to nonmajor enterprise funds from	
General fund	\$ 100,742
Local option sales tax	<u>14,754</u>
Total transfers to nonmajor enterprise fund	<u>\$ 115,496</u>

Transfers are used to (1) move property tax revenues from the fund that state statute requires to collect them to the fund that expends the associated expenditure, (2) offset public works salaries within the general fund with road use tax dollars collected, and (3) move a portion of local option sales tax to the fund that is receiving the property tax relief.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004 as restated	Additions	Deletions	Balance June 30, 2005
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,838,056	\$ 19,628	\$ (89,427)	\$ 2,768,257
Construction in progress	4,536,710	706,045	(4,296,374)	946,381
Total capital assets, not being depreciated	<u>7,374,766</u>	<u>725,673</u>	<u>(4,385,801)</u>	<u>3,714,638</u>
Capital assets, being depreciated				
Buildings	7,512,989	67,182	(154,032)	7,426,139
Land improvements	667,169	462,153	-	1,129,322
Machinery and equipment	11,427,097	1,089,367	(677,897)	11,838,567
Infrastructure	22,131,892	3,803,630	-	25,935,522
Total capital assets being depreciated	<u>41,739,147</u>	<u>5,422,332</u>	<u>(831,929)</u>	<u>46,329,550</u>
Less accumulated depreciation				
Buildings	(2,663,135)	(170,414)	88,781	(2,744,768)
Land improvements	(126,651)	(47,976)	-	(174,627)
Machinery and equipment	(4,854,284)	(730,464)	509,611	(5,075,137)
Infrastructure	(9,535,691)	(846,511)	-	(10,382,202)
Total accumulated depreciation	<u>(17,179,761)</u>	<u>(1,795,365)</u>	<u>598,392</u>	<u>(18,376,734)</u>
Total capital assets, being depreciated, net	<u>24,559,386</u>	<u>3,626,967</u>	<u>(233,537)</u>	<u>27,952,816</u>
Governmental activities capital assets, net	<u>\$ 31,934,152</u>	<u>\$ 4,352,640</u>	<u>\$ (4,619,338)</u>	<u>\$ 31,667,454</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 487,856	\$ -	\$ (10,000)	\$ 477,856
Construction in progress	6,563,836	-	(6,560,949)	2,887
Total capital assets, not being depreciated	<u>7,051,692</u>	<u>-</u>	<u>(6,570,949)</u>	<u>480,743</u>

(continued on next page)

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

	Balance June 30, 2004 as restated	Additions	Deletions	Balance June 30, 2005
Capital assets, being depreciated				
Buildings	\$ 6,819,293	\$ 4,286,101	\$ (33,205)	\$ 11,072,189
Land improvements	1,814,996	34,899	-	1,849,895
Machinery and equipment	11,420,856	2,097,207	(371,767)	13,146,296
Sanitary sewers and lift stations	14,728,755	671,279	-	15,400,034
Infrastructure	9,854,016	903,694	-	10,757,710
Total capital assets being depreciated	44,637,916	7,993,180	(404,972)	52,226,124
Less accumulated depreciation				
Buildings	(2,870,859)	(321,477)	5,673	(3,186,663)
Land improvements	(965,042)	(72,040)	-	(1,037,082)
Machinery and equipment	(7,377,364)	(522,161)	316,421	(7,583,104)
Sanitary sewers and lift stations	(2,785,482)	(323,902)	-	(3,109,384)
Infrastructure	(1,816,298)	(204,885)	-	(2,021,183)
Total accumulated depreciation	(15,815,045)	(1,444,465)	322,094	(16,937,416)
Total capital assets, being depreciated, net	28,822,871	6,548,715	(82,878)	35,288,708
Business-type activities capital assets, net	\$ 35,874,563	\$ 6,548,715	\$ (6,653,827)	\$ 35,769,451

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Public safety	\$ 271,820
Public works	1,122,020
Health and social services	600
Culture and recreation	359,133
Community and economic development	11,485
General government	30,307
Total depreciation expense – governmental activities	<u>\$ 1,795,365</u>
Business-type activities	
Water pollution control	\$ 1,147,899
Storm sewer	213,658
Compost	12,939
Transit	69,969
Total depreciation expense – business-type activities	<u>\$ 1,444,465</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 – LONG-TERM DEBT

The following is a summary of changes in the City's long-term debt for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Governmental activities					
Compensated absences payable	\$ 943,618	\$ 481,549	\$ 530,054	\$ 895,113	\$ 482,029
General obligation bonds and notes payable	18,995,000	1,938,404	3,390,000	17,543,404	1,453,840
Urban renewal tax increment revenue bonds and notes	5,448,188	-	811,062	4,637,126	116,500
	<u>25,386,806</u>	<u>2,419,953</u>	<u>4,731,116</u>	<u>23,075,643</u>	<u>2,052,369</u>
Business-type activities					
Compensated absences payable	163,890	55,541	56,095	163,336	64,793
Enterprise funds, revenue bonds payable	4,020,000	2,015,000	2,705,000	3,330,000	745,000
Sewer revenue capital loan note payable	4,122,638	226,362	1,000	4,348,000	1,000
	<u>8,306,528</u>	<u>2,296,903</u>	<u>2,762,095</u>	<u>7,841,336</u>	<u>810,793</u>
Total	<u>\$33,693,334</u>	<u>\$ 4,716,856</u>	<u>\$ 7,493,211</u>	<u>\$30,916,979</u>	<u>\$ 2,863,162</u>

For the governmental activities compensated absences are generally liquidated by the general fund.

The following is a summary of changes in long-term debt for the discretely presented component unit – Water Works for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005	Due Within One Year
Revenue bonds payable	<u>\$ 1,355,000</u>	<u>\$ -</u>	<u>\$ 315,000</u>	<u>\$ 1,040,000</u>	<u>\$ 330,000</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Bonded Debt. Details of the City's bonds and notes payable as of June 30, 2005 are as follows:

	<u>Interest Rates</u>	<u>Govern- mental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
General obligation bonds and notes				
1999A Essential corporate purpose, issued June 1, 1999	4.30-4.65	\$ 2,340,000	\$ -	\$ 2,340,000
2002A Essential corporate purpose, issued April 1, 2002	4.25-4.85	6,675,000	-	6,675,000
2002B Essential corporate purpose refunding bonds, issued April 1, 2002	3.40-4.05	1,760,000	-	1,760,000
2003A Essential corporate purpose refunding bonds, issued April 1, 2003	2.00-3.75	2,915,000	-	2,915,000
2004 Essential corporate purpose, issued June 1, 2004	4.50-6.00	1,915,000	-	1,915,000
Equipmet loan notes, issued November 12, 2004	-	138,404	-	138,404
2005B Essential corporate purpose, refunding bonds, issued April 1, 2005	3.10-3.65	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>
Total general obligation bonds and notes		<u>17,543,404</u>	<u>-</u>	<u>17,543,404</u>
Revenue bonds and notes				
Water Pollution Control refunding bonds, Series 2002C, issued April 1, 2002	3.45-3.75	-	1,315,000	1,315,000
Urban renewal tax increment, issued June 1, 1999	4.50-4.90	4,045,000	-	4,045,000
Urban renewal tax increment, issued June 30, 2003	5.00	367,288	-	367,288
Water Pollution Control capital loan notes, Series 2003, issued May 15, 2003	3.00	-	4,348,000	4,348,000
Urban renewal tax increment, issued December 29, 2003	3.14	224,838	-	224,838
Water Pollution Control refunding bonds, Series 2005A, issued April 1, 2005	3.00-3.85	<u>-</u>	<u>2,015,000</u>	<u>2,015,000</u>
Total revenue bonds and notes		<u>4,637,126</u>	<u>7,678,000</u>	<u>12,315,126</u>
Total long-term debt		<u>\$ 22,180,530</u>	<u>\$ 7,678,000</u>	<u>\$ 29,858,530</u>

(continued on next page)

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The resolutions providing for the issuance of the City's revenue bonds include the following provisions:

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to a separate sewer revenue debt service reserve fund until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking fund.
- (4) Additional monthly transfers to a sewer improvement fund shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system. This account may be used to pay principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund and the cost of extraordinary maintenance expenses or repairs, renewals, and replacements not included in the annual budget for capital improvements.

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are not a general obligation of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund, which has been established as a special revenue fund of the City, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

Future Requirements to Maturity. Principal and interest requirements to maturity for the City's bonds and notes outstanding as of June 30, 2005, are as follows:

Years Ending June 30	General Obligation Bonds and Notes		Urban Renewal Tax Increment Revenue Bonds and Notes	
	Principal	Interest	Principal	Interest
2006	\$ 1,453,840	\$ 707,454	\$ 116,500	\$ 211,828
2007	1,538,840	650,177	597,188	202,363
2008	1,613,841	598,318	388,438	181,330
2009	1,638,841	541,239	270,000	164,793
2010	1,488,840	480,486	280,000	152,643
2011-2015	7,289,202	1,460,318	1,550,000	563,825
2016-2019	2,520,000	190,514	1,435,000	176,915
Total	<u>\$ 17,543,404</u>	<u>\$ 4,628,506</u>	<u>\$ 4,637,126</u>	<u>\$ 1,653,697</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Years Ending June 30	Total Governmental Activities		Water Pollution Control Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 1,570,340	\$ 919,282	\$ 745,000	\$ 131,649
2007	2,136,028	852,540	770,000	94,359
2008	2,002,279	779,648	260,000	65,983
2009	1,908,841	706,032	260,000	56,753
2010	1,768,840	633,129	260,000	47,523
2011-2015	8,839,202	2,024,143	1,035,000	96,939
2016-2019	3,955,000	367,429	-	-
Total	<u>\$ 22,180,530</u>	<u>\$ 6,282,203</u>	<u>\$ 3,330,000</u>	<u>\$ 493,206</u>

Years Ending June 30	Water Pollution Control Capital Loan Note		Total Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 1,000	\$ 130,440	\$ 746,000	\$ 262,089
2007	1,000	130,410	771,000	224,769
2008	306,000	130,380	566,000	196,363
2009	315,000	121,200	575,000	177,953
2010	325,000	111,750	585,000	159,273
2011-2015	1,778,000	406,470	2,813,000	503,409
2016-2019	1,622,000	123,450	1,622,000	123,450
Total	<u>\$ 4,348,000</u>	<u>\$ 1,154,100</u>	<u>\$ 7,678,000</u>	<u>\$ 1,647,306</u>

Years Ending June 30	Water Works Revenue Bonds	
	Principal	Interest
2006	\$ 330,000	\$ 41,098
2007	345,000	28,228
2008	365,000	14,600
Total	<u>\$ 1,040,000</u>	<u>\$ 83,926</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Legal Debt Margin. The City's legal debt margin as of June 30, 2005, is as follows:

Regular realty valuations		\$ 867,672,511
Utility valuations		90,789,115
Incremental valuations		<u>71,047,100</u>
Total actual valuations applicable to debt		<u>\$ 1,029,508,726</u>
Debt limit - 5% of total actual valuations applicable to debt		<u>\$ 51,475,436</u>
Amount of debt applicable to limitation		
General obligation bonds and notes	\$ 17,543,404	
Urban renewal tax increment revenue bonds	<u>4,637,126</u>	
		22,180,530
Less funds available from		
Debt Service Fund		217,083
Tax Increment Financing		<u>615,975</u>
Total debt applicable to debt margin		<u>21,347,472</u>
Legal debt margin		<u>\$ 30,127,964</u>

NOTE 7 – PENSION AND RETIREMENT SYSTEMS

The City has three pension and retirement systems that cover substantially all of its employees. These systems are the Municipal Fire and Police Retirement System of Iowa, Chapter 410 Police Pension System, and the Iowa Public Employees Retirement System. The Water Works, a component unit, maintains the Marshalltown Water Works Supplemental Retirement Pension System.

Municipal Fire and Police Retirement System of Iowa. The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City was required to contribute 24.92% for the year ended June 30, 2005, 20.48% for 2004, and 17% for 2003, of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2005, 2004, and 2003, were \$859,377, \$629,726, and \$537,447, respectively, which met the required minimum contribution for each year.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Chapter 410 Police Pension System. Chapter 410 of the Code of Iowa creates a retirement system for police officers of any City qualified to participate under this Chapter. Any duly appointed member of the police department whose appointment occurred before March 2, 1934, or police who had been making payments of membership fees and assessments prior to July 1, 1971, may be a member of the system. The pension plan is accounted for by the City in the Pension Trust Fund.

The plan, a single-employer defined benefit pension plan, is administered by the Police Pension Board of Trustees and provides retirement, disability, and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to fifty percent of the monthly salary at retirement or disability and twenty-five percent of the monthly salary at death.

There is one active beneficiary in the plan. The plan is normally funded through a property tax levy, and currently the City expects to continue to levy the tax as long as the benefit is required to be paid equal to the required contributions for the year. This year there were sufficient funds on hand negating the need for an additional levy. The City's contributions to the retirement system for the years ended June 30, 2005, 2004, and 2003, were \$0, \$9,535, and \$16,729, respectively.

Iowa Public Employees Retirement System (IPERS). The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$254,760, \$250,767, and \$252,235, respectively, equal to the required contributions for each year.

Marshalltown Water Works Supplemental Retirement Pension System. The Marshalltown Water Works Supplemental Retirement Pension System (Plan) is a single-employer defined benefit pension plan that covers all full-time Water Works employees. The plan provides retirement, death, and disability benefits to plan members. The plan is administered by American Trust and Savings Bank.

The plan was established by the Marshalltown Water Works Board of Trustees on September 30, 1953. The plan was restated and amended on January 1, 1986. The contribution requirements of plan members and the Water Works are established by the Board of Trustees and may be amended by the Board of Trustees at any time. Contribution percentages are actuarially determined rates. Plan members are required to contribute 2.25% of their annual covered salary. The Water Works is required to contribute 5.25% of annual covered payroll.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The Water Works annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$	24,399
Annual pension cost		24,399
Contributions made		24,399
Increase in net pension obligation		-
Net pension obligations, beginning of year		-
Net pension obligations, end of year		-

The annual required contribution for the current year was estimated based on the April 1, 2004, actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 5%. Both (a) and (b) include an inflation component and postretirement benefit increases of 0%. The unfunded actuarial accrued liability is being amortized as an open period, level dollar. The information disclosing the remaining years to amortize is not available to the City.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$ 24,399	100.0%	\$ -
June 30, 2004	24,977	100.0%	-
June 30, 2003	24,083	100.0%	-

For employees who choose not to participate in the Marshalltown Water Works Supplemental Retirement Pension System (Plan), the Water Works contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Water Works is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Water Works' contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$22,974, \$23,121, and \$22,763, respectively, equal to the required contributions for each year.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

The City provides postretirement life and healthcare benefits, as allowed by Chapter 509A of the Code of Iowa, to all City employees (bargaining unit and nonbargaining unit employees) who retire from the City. Upon retirement, all employees may elect to continue coverage under the City's group health and accident insurance. However, the City will pay one-half of the insurance premiums for those employees who generally have at least 15 years of continuous service as of the date of normal retirement. Employees under the firefighters union agreement must meet service retirement or disability retirement as defined under Chapter 411 of the Code of Iowa for the City to pay one-half of the monthly premiums. Currently, 51 retirees, 7 surviving spouses, and 2 former employees have maintained the City's group health and accident insurance coverage, of which 43 meet the eligibility requirements for the City to pay one-half or a portion of the cost of such insurance. Expenditures for postretirement healthcare benefits are recognized on a monthly basis when the premiums are paid. During the year ended June 30, 2005, the City paid \$317,646 in premiums for postretirement healthcare coverage, of which \$186,538 was reimbursed to the City by the insured individuals and \$131,108 represents the City's cost of the coverage.

NOTE 9 – RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 331.301 of the Code of Iowa. The Pool is a local government risk-sharing pool whose over 500 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contribution is applied to the Pool Fund's current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim for a total of \$2,000,000 in coverage and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. The City of Marshalltown has elected \$6,000,000 in coverage. Automobile physical damage risks are retained by the Pool up to \$50,000 for each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceed the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, as of June 30, 2005, no liability has been recorded in the City's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given sixty days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing members, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100% of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Members who elect property coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City opted to purchase property and casualty coverage from Chub and not participate in the risk pool. With this carrier the City of Marshalltown has a \$34,795,607 blanket limit for premises and \$775,011 for Inland Marine. As a commercial carrier, no additional liability is recorded in the financial statements of the City.

The City has established a Group Insurance Benefits Fund for insuring health benefits provided to City employees and covered dependents which is included as an internal service fund. Health benefits were self-insured up to a specific stop loss amount of \$75,000 and an aggregate stop loss of approximately \$1,702,000 for 2005. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Reported claims as of June 30, 2005, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses.

All operating funds of the City participate in the program and make payments to the Group Insurance Benefits Fund based on actuarial estimates of the amounts needed to pay prior and current year claims.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The City has established an Occupational Insurance Benefits Fund to self insure for workers' compensation benefits for all currently employed police officers and firefighters and police officers and firefighters who have retired due to an accidental disability prior to December 1992, in accordance with Chapter 411.15 of the Code of Iowa. The General Fund is charged for benefits paid to police officers and firefighters by the Occupational Insurance Benefits Fund, which is also accounted for as an internal service fund. Reported claims as of June 30, 2005, as well as incurred but not reported claims, have been accrued as a liability based upon the City's best estimate and are included in accounts payable. The liability does not include any allocated or unallocated claim adjustment expenses. There is no stop loss insurance for this coverage. Prior to the year ended June 30, 2004, the City purchased commercial coverage for currently employed police officers and firefighters.

The claims liabilities of \$261,519 in the Group Insurance Benefits Fund and \$2,292 in the Occupational Insurance Benefits Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2005 and 2004, are summarized as follows:

	Group Insurance Benefits Fund	Occupational Insurance Benefits Fund
Liabilities as of June 30, 2003	\$ 238,464	\$ 2,907
Claims and changes in estimates during fiscal year 2004	1,166,625	6,808
Claim payments	<u>(1,162,135)</u>	<u>(9,281)</u>
Liabilities as of June 30, 2004	242,954	434
Claims and changes in estimates during fiscal year 2005	1,380,982	31,808
Claim payments	<u>(1,362,417)</u>	<u>(29,950)</u>
	<u>\$ 261,519</u>	<u>\$ 2,292</u>

NOTE 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there was one issue of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$650,000.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11 – CONDUIT DEBT

In October 1998, the City participated in the issuance of one note payable as part of the Community Economic Betterment Act (CEBA) Program of the state of Iowa. The note was issued to a business in the City. The repayment of the loan is made directly from the business back to the State. The note is payable solely from the business participating in the CEBA program. The outstanding balance on the note at June 30, 2005, totals \$61,343.

NOTE 12 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees, until termination, retirement, death, or unforeseeable emergency. The plan complies with IRC Section 457(g), which allows for the plan to hold its assets in trust. Under these requirements, the City does not own the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

NOTE 13 – COMMITMENTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2005. The City has additional commitments for signed construction contracts of approximately \$2,319,460 as of June 30, 2005.

NOTE 14 – MAJOR CUSTOMER

The financial statements of the Water Pollution Control Enterprise Fund include sales and receivables from Swift and Company, a major customer, of \$1,036,978 and \$175,809, respectively.

NOTE 15 – LITIGATION

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 16 – RESTATEMENT OF BEGINNING BALANCES

The restatement of General Fund, Airport Fund, Water Pollution Control Fund, the Governmental Activities Net Assets, and the Business-type Activities Net Assets were as follows:

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

	Water Pollution Control	Airport	Governmental Activities	Business-type
Fund balance/net assets June 30, 2004, as previously reported	\$ 22,464,068	\$ (29,334)	\$ 16,598,266	\$ 31,866,473
Adjustments				
Inadvertent reporting of construction in progress as expense	152,055	-	-	152,055
Accounts receivable inadvertently omitted from deferred revenue	-	(94,541)	-	-
To record land purchased in prior years	-	-	89,427	-
Fund balance/net assets June 30, 2004, as restated	<u>\$ 22,616,123</u>	<u>\$ (124,875)</u>	<u>\$ 16,687,693</u>	<u>\$ 32,018,528</u>

NOTE 17 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City of Marshalltown. The statements which might impact the City of Marshalltown are as follows:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 46, *Net Assets Restricted by Enabling Legislation* issued December 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement clarifies the definition of a legally enforceable enabling legislation restriction. It specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

CITY OF MARSHALLTOWN, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting standards for termination benefits.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARSHALLTOWN, IOWA
REQUIRED SUPPLEMENTARY INFORMATION
MARSHALLTOWN WATER WORKS SUPPLEMENTAL RETIREMENT PENSION SYSTEM

Schedule of Funding Progress						
Actuarial Valuation Date *	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	AAL/UAAL as a Percentage of Covered Payroll [(b-a)/c]
April 1, 2005	\$ 1,350,451	\$ 1,899,344	\$ 548,893	71.10%	\$ 424,317	129.4%
April 1, 2004	1,457,419	1,836,270	378,851	79.37%	434,376	87.2%
April 1, 2003	1,394,711	1,766,196	371,485	78.97%	418,921	88.7%

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated. Additional information follows:

1. The cost method used to determine the ARC is the frozen entry age method.
2. The assets are shown at fair value.
3. Economic assumptions are as follows: investment return rate of 8%, salary increase of 5%, inflation rate 0%.
4. The amortization method is open period, assumed level dollar.

* The last actuarial valuation was performed on April 1, 2004. Estimated values have been calculated as of April 1, 2005 and 2003.

CITY OF MARSHALLTOWN, IOWA

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2005

	Actual			Orginal Budget	Final Budget	Final to Actual Variance
	Governmental Funds	Proprietary Funds	Total			
Revenues						
Property taxes	\$ 6,647,590	\$ -	\$ 6,647,590	\$ 7,013,159	\$ 7,013,159	\$ (365,569)
TIF Revenue	2,302,343	-	2,302,343	2,219,954	2,219,954	82,389
Other city taxes	3,959,653	-	3,959,653	3,367,119	3,367,119	592,534
Licenses and permits	342,024	11,460	353,484	311,268	311,268	42,216
Intergovernmental	5,837,044	280,206	6,117,250	7,627,522	7,627,522	(1,510,272)
Charges for services	902,489	3,981,472	4,883,961	4,938,593	4,938,593	(54,632)
Special assessments	317	2,451	2,768	1,800	1,800	968
Use of money and property	279,986	98,799	378,785	290,740	290,740	88,045
Miscellaneous	634,607	301,484	936,091	368,225	368,225	567,866
Other financing sources	2,425,972	2,227,092	4,653,064	3,458,750	3,458,750	1,194,314
Total revenues	23,332,025	6,902,964	30,234,989	29,597,130	29,597,130	637,859
Expenditures						
Public safety	7,171,931	-	7,171,931	7,438,685	7,438,685	266,754
Public works	2,537,638	-	2,537,638	3,298,177	3,298,177	760,539
Health and social services	1,342,225	-	1,342,225	1,303,605	1,334,245	(7,980)
Culture and recreation	2,235,994	-	2,235,994	2,537,067	2,741,233	505,239
Community and economic development	1,725,970	-	1,725,970	2,357,941	2,357,941	631,971
General government	969,898	-	969,898	1,111,804	1,111,804	141,906
Debt service	5,287,256	-	5,287,256	3,095,223	3,095,223	(2,192,033)
Capital projects	2,243,190	-	2,243,190	4,495,020	7,086,638	4,843,448
Business-type activities	-	7,011,222	7,011,222	4,510,554	5,763,675	(1,247,547)
Total expenditures	23,514,102	7,011,222	30,525,324	30,148,076	34,227,621	3,702,297
Deficiency of revenues under expenditures	(182,077)	(108,258)	(290,335)	(550,946)	(4,630,491)	4,340,156
Other financing sources (uses)						
Transfers in	7,601,827	157,010	7,758,837	7,719,177	7,980,460	(221,623)
Transfers out	(7,758,837)	-	(7,758,837)	(7,719,177)	(7,980,460)	221,623
Total other financing sources (uses)	(157,010)	157,010	-	-	-	-
Net change in fund balance	(339,087)	48,752	(290,335)	(550,946)	(4,630,491)	4,340,156
Fund balance, beginning	9,057,604	3,994,102	13,051,706	9,735,203	13,051,706	-
Fund balance, ending	\$ 8,718,517	\$ 4,042,854	\$ 12,761,371	\$ 9,184,257	\$ 8,421,215	\$ 4,340,156

CITY OF MARSHALLTOWN, IOWA
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
YEAR ENDED JUNE 30, 2005

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 23,332,025	\$ (2,034,631)	\$ 21,297,394	\$ 6,902,964	\$ (2,341,717)	\$ 4,561,247
Expenditures/expenses	<u>23,514,102</u>	<u>(151,659)</u>	<u>23,362,443</u>	<u>7,011,222</u>	<u>(1,873,564)</u>	<u>5,137,658</u>
Net	(182,077)	(1,882,972)	(2,065,049)	(108,258)	(468,153)	(576,411)
Other financing sources, net	(157,010)	2,458,645	2,301,635	157,010	1,239,957	1,396,967
Beginning fund balances/net assets, as restated	<u>9,057,604</u>	<u>363,669</u>	<u>9,421,273</u>	<u>3,994,102</u>	<u>28,024,426</u>	<u>32,018,528</u>
Ending fund balances/net assets	<u>\$ 8,718,517</u>	<u>\$ 939,342</u>	<u>\$ 9,657,859</u>	<u>\$ 4,042,854</u>	<u>\$ 28,796,230</u>	<u>\$ 32,839,084</u>

CITY OF MARSHALLTOWN, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments were prepared with the required public hearing. Due to a publication error, only the first amendment was recognized as lawful and used in the final budgeted amounts. The amendment increased budgeted disbursements by \$4,079,545. During the year ended June 30, 2005, disbursements in the areas of health and social services, debt service, and business-type activities exceeded the amount budgeted.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Property Tax – To account for property tax collections for the emergency fund levy and employee benefits, which are then transferred to the general fund.

E-911 Surcharge – To account for activity associated with the 911 Communication Commission.

Grant Fund – To account for various state and federal grant activities.

Special Contributions – To reflect activities associated with donations and special contributions to various City departments.

Other – To account for other various revenues, seized assets, City tort liability, special assessments and economic development gift funding.

CAPITAL PROJECTS FUND

Airport Projects – To account for ongoing projects at the municipal airport.

Recreation Projects – To account for resources used in the acquisition and construction of capital facilities and other fixed assets associated with the City's culture and recreation function.

PERMANENT FUND

Campground Foundation – A permanent fund for the improvement of Riverview Park Campground.

CITY OF MARSHALLTOWN, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special		
	Property Tax Fund	E-911 Surcharge	Grant Fund
Assets			
Cash and cash equivalents	\$ 803,438	\$ 100,661	\$ -
Receivables			
Property taxes			
Delinquent	9,856	-	-
Succeeding year	614,746	-	-
Accounts and unbilled usage	-	-	-
Interest	2,954	409	-
Due from other funds	341,758	-	-
Due from other governments	1,726	57,486	60,003
Prepaid items	-	40,903	-
	<u>-</u>	<u>40,903</u>	<u>-</u>
Total assets	<u>\$ 1,774,478</u>	<u>\$ 199,459</u>	<u>\$ 60,003</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	\$ 483	\$ 807
Accrued payroll and payroll benefits	-	-	733
Retainage payable	-	-	-
Deferred revenue			
Succeeding year property tax	614,746	-	-
Other	108	-	36,300
Due to other funds	102,051	-	17,932
	<u>102,051</u>	<u>-</u>	<u>17,932</u>
Total liabilities	<u>716,905</u>	<u>483</u>	<u>55,772</u>
Fund balances			
Reserved for			
Prepaid items	-	40,903	-
Endowments	-	-	-
Unreserved	1,057,573	158,073	4,231
	<u>1,057,573</u>	<u>158,073</u>	<u>4,231</u>
Total fund balances	<u>1,057,573</u>	<u>198,976</u>	<u>4,231</u>
Total liabilities and fund balances	<u>\$ 1,774,478</u>	<u>\$ 199,459</u>	<u>\$ 60,003</u>

Revenue Funds			Capital Project Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other Special Revenue	Total	Airport Projects	Recreation Projects	Campground Foundation	
\$ 189,757	\$ 193,422	\$ 1,287,278	\$ -	\$ 214,916	\$ 2,349	\$ 1,504,543
-	-	9,856	-	-	-	9,856
-	-	614,746	-	-	-	614,746
-	635	635	27,842	-	-	28,477
1,333	1,530	6,226	-	1,882	17	8,125
-	-	341,758	553	-	-	342,311
-	-	119,215	34,925	372,230	-	526,370
119	-	41,022	-	-	-	41,022
<u>\$ 191,209</u>	<u>\$ 195,587</u>	<u>\$ 2,420,736</u>	<u>\$ 63,320</u>	<u>\$ 589,028</u>	<u>\$ 2,366</u>	<u>\$ 3,075,450</u>
\$ 5,745	\$ 5,710	\$ 12,745	\$ 7,553	\$ 64,306	\$ -	\$ 84,604
46	-	779	-	-	-	779
-	-	-	-	22,902	-	22,902
-	-	614,746	-	-	-	614,746
-	635	37,043	49,225	61,540	-	147,808
-	-	119,983	2,024	-	-	122,007
<u>5,791</u>	<u>6,345</u>	<u>785,296</u>	<u>58,802</u>	<u>148,748</u>	<u>-</u>	<u>992,846</u>
119	-	41,022	-	-	-	41,022
-	-	-	-	-	2,366	2,366
185,299	189,242	1,594,418	4,518	440,280	-	2,039,216
<u>185,418</u>	<u>189,242</u>	<u>1,635,440</u>	<u>4,518</u>	<u>440,280</u>	<u>2,366</u>	<u>2,082,604</u>
<u>\$ 191,209</u>	<u>\$ 195,587</u>	<u>\$ 2,420,736</u>	<u>\$ 63,320</u>	<u>\$ 589,028</u>	<u>\$ 2,366</u>	<u>\$ 3,075,450</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

			Special
	Property Tax Fund	E-911 Surcharge	Grant Fund
Revenues			
Property taxes	\$ 730,460	\$ -	\$ -
Other city taxes	99,041	234,253	-
Use of money and property	12,397	2,416	551
Intergovernmental	39,650	-	255,534
Charges for services	-	-	59,682
Special assessments	-	-	-
Miscellaneous	-	6,367	55
Total revenues	<u>881,548</u>	<u>243,036</u>	<u>315,822</u>
Expenditures			
Current			
Public safety	-	258,982	192,531
Public works	-	-	-
Health and social services	-	-	19,805
Culture and recreation	-	-	136,143
General government	-	-	1,082
Total expenditures	<u>-</u>	<u>258,982</u>	<u>349,561</u>
Excess (deficiency) of revenues over (under) expenditures	881,548	(15,946)	(33,739)
Other financing sources (uses)			
Transfers in	463,360	-	-
Transfers out	<u>(2,586,243)</u>	<u>-</u>	<u>(623)</u>
Total other financing sources (uses)	(2,122,883)	-	(623)
Net change in fund balances	(1,241,335)	(15,946)	(34,362)
Fund balances - beginning, as restated	<u>2,298,908</u>	<u>214,922</u>	<u>38,593</u>
Fund balances - ending	<u>\$ 1,057,573</u>	<u>\$ 198,976</u>	<u>\$ 4,231</u>

Revenue Funds			Capital Project Funds		Permanent Fund	Total Nonmajor Governmental Funds
Special Contributions	Other Special Revenue	Total	Airport Projects	Recreation Projects	Campground Foundation	
\$ -	\$ -	\$ 730,460	\$ -	\$ -	\$ -	\$ 730,460
-	-	333,294	-	-	-	333,294
4,937	8,517	28,818	-	5,673	43	34,534
-	851	296,035	78,376	385,606	-	760,017
40,200	-	99,882	-	-	-	99,882
-	317	317	-	-	-	317
43,865	65,276	115,563	20,874	167,209	-	303,646
89,002	74,961	1,604,369	99,250	558,488	43	2,262,150
13,476	13,182	478,171	-	-	-	478,171
-	5,891	5,891	45,642	-	-	51,533
-	-	19,805	-	-	-	19,805
110,847	4,645	251,635	-	503,721	-	755,356
-	-	1,082	-	-	-	1,082
124,323	23,718	756,584	45,642	503,721	-	1,305,947
(35,321)	51,243	847,785	53,608	54,767	43	956,203
-	-	463,360	74,785	-	-	538,145
-	(104,884)	(2,691,750)	-	-	-	(2,691,750)
-	(104,884)	(2,228,390)	74,785	-	-	(2,153,605)
(35,321)	(53,641)	(1,380,605)	128,393	54,767	43	(1,197,402)
220,739	242,883	3,016,045	(123,875)	385,513	2,323	3,280,006
\$ 185,418	\$ 189,242	\$ 1,635,440	\$ 4,518	\$ 440,280	\$ 2,366	\$ 2,082,604

NONMAJOR ENTERPRISE FUNDS

Compost Facility – To account for the operation and maintenance of the City's facility for yard wastes. Services are supported primarily by user charges.

Bus Transit – To account for the City's mass transit operations. Services are supported primarily from transit property taxes accounted for and transferred from the General Fund, intergovernmental revenues, and user charges.

Recreation Concessions – To account for the concessions activity of the municipal swimming pool and coliseum. Services are supported by user fees.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2005

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 57,906	\$ 111,993	\$ 55,983	\$ 225,882
Receivables				
Accounts and unbilled usage	1,238	3,911	-	5,149
Interest	362	-	-	362
Inventories	5,686	-	-	5,686
Prepaid items	338	10,465	106	10,909
Total current assets	<u>65,530</u>	<u>126,369</u>	<u>56,089</u>	<u>247,988</u>
Noncurrent assets				
Capital assets				
Land	10,437	-	-	10,437
Land improvements	235,361	7,735	-	243,096
Buildings and structures	26,919	677,129	-	704,048
Equipment and vehicles	66,851	625,576	-	692,427
Accumulated depreciation	(180,163)	(487,590)	-	(667,753)
Total noncurrent assets	<u>159,405</u>	<u>822,850</u>	<u>-</u>	<u>982,255</u>
Total assets	<u>224,935</u>	<u>949,219</u>	<u>56,089</u>	<u>1,230,243</u>
Liabilities				
Current liabilities				
Accounts payable	30	3,714	5,067	8,811
Accrued payroll and payroll benefits	259	3,243	1,083	4,585
Compensated absences	-	3,662	-	3,662
Total current liabilities	<u>289</u>	<u>10,619</u>	<u>6,150</u>	<u>17,058</u>
Noncurrent liabilities				
Compensated absences	-	7,732	-	7,732
Total liabilities	<u>289</u>	<u>18,351</u>	<u>6,150</u>	<u>24,790</u>
Net assets				
Invested in capital assets	159,405	822,850	-	982,255
Unrestricted	<u>65,241</u>	<u>108,018</u>	<u>49,939</u>	<u>223,198</u>
Total net assets	<u>\$ 224,646</u>	<u>\$ 930,868</u>	<u>\$ 49,939</u>	<u>\$ 1,205,453</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Operating revenues				
Charges for services	\$ 35,620	\$ 123,760	\$ 59,149	\$ 218,529
Operating expenses				
Salaries and benefits	20,580	236,906	19,533	277,019
Services and supplies	14,115	112,765	24,883	151,763
Depreciation	12,939	69,969	-	82,908
Total operating expenses	47,634	419,640	44,416	511,690
Operating income (loss)	(12,014)	(295,880)	14,733	(293,161)
Nonoperating revenues				
Federal and state grants	-	213,408	-	213,408
Interest income	1,339	626	969	2,934
Total nonoperating revenues	1,339	214,034	969	216,342
Income (loss) before capital contributions and transfers	(10,675)	(81,846)	15,702	(76,819)
Transfers in	-	115,496	-	115,496
Change in net assets	(10,675)	33,650	15,702	38,677
Total net assets - beginning	235,321	897,218	34,237	1,166,776
Total net assets - ending	\$ 224,646	\$ 930,868	\$ 49,939	\$ 1,205,453

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2005

	Compost Facility	Bus Transit	Recreation Concessions	Total Nonmajor Enterprise Funds
Cash flows from operating activities				
Cash received from customers	\$ 35,423	\$ 128,204	\$ 59,149	\$ 222,776
Cash payments to suppliers for goods and services	(16,048)	(103,227)	(20,663)	(139,938)
Cash payments to employees for services	<u>(21,823)</u>	<u>(242,514)</u>	<u>(21,901)</u>	<u>(286,238)</u>
Net cash provided (used) by operating activities	<u>(2,448)</u>	<u>(217,537)</u>	<u>16,585</u>	<u>(203,400)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	115,496	-	115,496
Grants received	<u>-</u>	<u>213,408</u>	<u>-</u>	<u>213,408</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>328,904</u>	<u>-</u>	<u>328,904</u>
Cash flows from investing activities				
Interest received on investment securities	<u>981</u>	<u>626</u>	<u>970</u>	<u>2,577</u>
Net increase (decrease) in cash and cash equivalents	(1,467)	111,993	17,555	128,081
Cash and cash equivalents, beginning	<u>59,373</u>	<u>-</u>	<u>38,428</u>	<u>97,801</u>
Cash and cash equivalents, ending	<u>\$ 57,906</u>	<u>\$ 111,993</u>	<u>\$ 55,983</u>	<u>\$ 225,882</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS (continued)
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Compost Facility</u>	<u>Bus Transit</u>	<u>Recreation Concessions</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (12,014)	\$ (295,880)	\$ 14,733	\$ (293,161)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	12,939	69,969	-	82,908
Changes in assets and liabilities				
Decrease (increase) in receivables	(197)	6,365	-	6,168
Decrease (increase) in inventories and prepaid items	(1,886)	13,834	10	11,958
Increase in accounts payable	(47)	(6,217)	4,210	(2,054)
Increase in accrued liabilities	(1,243)	(5,608)	(2,368)	(9,219)
Total adjustments	<u>9,566</u>	<u>78,343</u>	<u>1,852</u>	<u>89,761</u>
Net cash provided (used) by operating activities	<u>\$ (2,448)</u>	<u>\$ (217,537)</u>	<u>\$ 16,585</u>	<u>\$ (203,400)</u>

INTERNAL SERVICE FUNDS

Group Insurance Benefits – To account for employee health insurance premium and claim payments.

Occupational Insurance Benefits – To account for medical claims associated with work related injuries and disabled policemen and firemen.

Flexible Benefits – To account for the employee flexible benefit plan resources and claims.

Workmen's Compensation Deductible – To account for workmen's compensation deductible insurance claims.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2005

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 579,261	\$ 342,530	\$ -	\$ 50,439	\$ 972,230
Receivables					
Interest	1,599	3,672	-	262	5,533
Prepaid items	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800</u>
Total current assets	<u>582,660</u>	<u>346,202</u>	<u>-</u>	<u>50,701</u>	<u>979,563</u>
Liabilities					
Current liabilities					
Accounts payable	261,519	2,292	646	558	265,015
Due to other funds	<u>-</u>	<u>-</u>	<u>2,462</u>	<u>-</u>	<u>2,462</u>
Total current liabilities	<u>261,519</u>	<u>2,292</u>	<u>3,108</u>	<u>558</u>	<u>267,477</u>
Total net assets (deficit) - unrestricted	<u>\$ 321,141</u>	<u>\$ 343,910</u>	<u>\$ (3,108)</u>	<u>\$ 50,143</u>	<u>\$ 712,086</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Operating revenues					
Charges for services	\$ 1,722,721	\$ 142,608	\$ 57,426	\$ -	\$ 1,922,755
Miscellaneous	<u>57,739</u>	<u>1,466</u>	<u>661</u>	<u>-</u>	<u>59,866</u>
Total operating revenues	<u>1,780,460</u>	<u>144,074</u>	<u>58,087</u>	<u>-</u>	<u>1,982,621</u>
Operating expenses					
Services and supplies	9,551	-	-	-	9,551
Claims paid	1,362,417	29,950	54,272	4,585	1,451,224
Health insurance premiums	245,837	449	-	-	246,286
Miscellaneous	<u>115,101</u>	<u>1,435</u>	<u>-</u>	<u>-</u>	<u>116,536</u>
Total operating expenses	<u>1,732,906</u>	<u>31,834</u>	<u>54,272</u>	<u>4,585</u>	<u>1,823,597</u>
Operating income (loss)	47,554	112,240	3,815	(4,585)	159,024
Nonoperating revenues					
Interest income	<u>12,823</u>	<u>6,765</u>	<u>-</u>	<u>986</u>	<u>20,574</u>
Net income (loss)	60,377	119,005	3,815	(3,599)	179,598
Total net assets (deficit) - beginning	<u>260,764</u>	<u>224,905</u>	<u>(6,923)</u>	<u>53,742</u>	<u>532,488</u>
Total net assets (deficit) - ending	<u>\$ 321,141</u>	<u>\$ 343,910</u>	<u>\$ (3,108)</u>	<u>\$ 50,143</u>	<u>\$ 712,086</u>

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2005

	Group Insurance Benefits	Occupational Insurance Benefits	Flexible Benefits	Workmen's Compensation Deductible	Total
Cash flows from operating activities					
Cash received from customers	\$ 1,722,721	\$ 142,608	\$ 57,426	\$ -	\$ 1,922,755
Cash payments to suppliers for goods and services	(1,712,488)	(29,976)	(53,626)	(4,545)	(1,800,635)
Other operating revenue	<u>57,739</u>	<u>1,466</u>	<u>661</u>	<u>-</u>	<u>59,866</u>
Net cash provided (used) by operating activities	<u>67,972</u>	<u>114,098</u>	<u>4,461</u>	<u>(4,545)</u>	<u>181,986</u>
Cash flows from noncapital financing activities					
Increase in due to other funds	<u>-</u>	<u>-</u>	<u>(4,461)</u>	<u>-</u>	<u>(4,461)</u>
Cash flows from investing activities					
Interest received on investment securities	<u>11,225</u>	<u>3,104</u>	<u>-</u>	<u>735</u>	<u>15,064</u>
Net increase (decrease) in cash and cash equivalents	79,197	117,202	-	(3,810)	192,589
Cash and cash equivalents, beginning	<u>500,064</u>	<u>225,328</u>	<u>-</u>	<u>54,249</u>	<u>779,641</u>
Cash and cash equivalents, ending	<u>\$ 579,261</u>	<u>\$ 342,530</u>	<u>\$ -</u>	<u>\$ 50,439</u>	<u>\$ 972,230</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	<u>\$ 47,554</u>	<u>\$ 112,240</u>	<u>\$ 3,815</u>	<u>\$ (4,585)</u>	<u>\$ 159,024</u>
Adjustments to reconcile operating loss to net cash used by operating activities					
Changes in assets and liabilities					
Decrease in prepaid items	1,853	-	-	-	1,853
Increase (decrease) in accounts payable	<u>18,565</u>	<u>1,858</u>	<u>646</u>	<u>40</u>	<u>21,109</u>
Total adjustments	<u>20,418</u>	<u>1,858</u>	<u>646</u>	<u>40</u>	<u>22,962</u>
Net cash provided (used) by operating activities	<u>\$ 67,972</u>	<u>\$ 114,098</u>	<u>\$ 4,461</u>	<u>\$ (4,545)</u>	<u>\$ 181,986</u>

FIDUCIARY FUNDS

Agency funds are used to account for funds where the City acts as custodian. Agency funds are:

Payroll Fund – For the internal accounting of payroll and associated liability payments.

Other – To account for other miscellaneous activities associated with City agencies.

CITY OF MARSHALLTOWN, IOWA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
PAYROLL FUND				
ASSETS				
Cash and cash equivalents	\$ 124,047	\$ 26,491,877	\$ 26,379,602	\$ 236,322
Prepaid items	<u>-</u>	<u>14,292</u>	<u>-</u>	<u>14,292</u>
Total assets	<u>\$ 124,047</u>	<u>\$ 26,506,169</u>	<u>\$ 26,379,602</u>	<u>\$ 250,614</u>
LIABILITIES				
Accrued payroll and payroll benefits	<u>\$ 124,047</u>	<u>\$ 26,491,877</u>	<u>\$ 26,365,310</u>	<u>\$ 250,614</u>
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,148	\$ 14,262	\$ 13,562	\$ 1,848
Due from other governments	<u>121</u>	<u>-</u>	<u>121</u>	<u>-</u>
Total assets	<u>\$ 1,269</u>	<u>\$ 14,262</u>	<u>\$ 13,683</u>	<u>\$ 1,848</u>
LIABILITIES				
Due to other governments	<u>\$ 1,269</u>	<u>\$ 14,827</u>	<u>\$ 14,248</u>	<u>\$ 1,848</u>
ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 125,195	\$ 26,506,139	\$ 26,393,164	\$ 238,170
Prepaid items	-	14,292	-	14,292
Due from other governments	<u>121</u>	<u>-</u>	<u>121</u>	<u>-</u>
Total assets	<u>\$ 125,316</u>	<u>\$ 26,520,431</u>	<u>\$ 26,393,285</u>	<u>\$ 252,462</u>
LIABILITIES				
Accrued payroll and payroll benefits	\$ 124,047	\$ 26,491,877	\$ 26,365,310	\$ 250,614
Due to other governments	<u>1,269</u>	<u>14,827</u>	<u>14,248</u>	<u>1,848</u>
Total liabilities	<u>\$ 125,316</u>	<u>\$ 26,506,704</u>	<u>\$ 26,379,558</u>	<u>\$ 252,462</u>

LONG-TERM DEBT

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES
JUNE 30, 2005

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities				
General Obligation				
1999A Essential corporate purpose, issued June 1, 1999	2006	4.30%	\$ 103,986	\$ 290,000
	2007	4.30%	91,516	290,000
	2008	4.35%	79,046	290,000
	2009	4.40%	66,430	290,000
	2010	4.45%	53,670	240,000
	2011	4.50%	42,990	240,000
	2012	4.55%	32,190	240,000
	2013	4.60%	21,270	240,000
	2014	4.65%	10,230	220,000
			<u>501,328</u>	<u>2,340,000</u>
2002A Essential corporate purpose, issued April 1, 2002	2006	4.25%	302,812	125,000
	2007	4.25%	297,500	150,000
	2008	4.25%	291,126	200,000
	2009	4.25%	282,626	200,000
	2010	4.25%	274,126	750,000
	2011	4.35%	242,250	750,000
	2012	4.45%	209,626	750,000
	2013	4.55%	176,250	750,000
	2014	4.60%	142,126	750,000
	2015	4.70%	107,626	750,000
	2016	4.80%	72,376	750,000
	2017	4.85%	36,376	750,000
			<u>2,434,820</u>	<u>6,675,000</u>
2002B Essential corporate purpose refunding bonds, issued April 1, 2002	2006	3.40%	66,378	420,000
	2007	3.70%	52,098	430,000
	2008	3.90%	36,188	445,000
	2009	4.05%	18,832	465,000
			<u>173,496</u>	<u>1,760,000</u>
2003A Essential corporate purpose refunding bonds, issued April 1, 2003	2006	2.00%	87,198	300,000
	2007	2.20%	81,198	350,000
	2008	2.55%	73,498	360,000
	2009	2.95%	64,318	365,000
	2010	3.15%	53,550	380,000
	2011	3.40%	41,580	390,000
	2012	3.60%	28,320	370,000
	2013	3.75%	15,000	400,000
			<u>444,662</u>	<u>2,915,000</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2005

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
General Obligation (continued)				
2004A Essential corporate purpose, issued June 1, 2004	2006	6.00%	\$ 78,305	\$ 5,000
	2007	6.00%	78,215	5,000
	2008	6.00%	78,110	5,000
	2009	5.50%	77,983	5,000
	2010	5.75%	77,840	5,000
	2011	5.75%	77,683	5,000
	2012	5.75%	77,512	5,000
	2013	4.75%	77,330	150,000
	2014	4.10%	71,630	350,000
	2015	4.20%	57,805	360,000
	2016	4.30%	43,225	375,000
	2017	4.40%	27,662	395,000
	2018	4.50%	10,875	250,000
			<u>834,175</u>	<u>1,915,000</u>
2004-009 Interest free fire truck note, issued February 1, 2005	2006	0.00%	-	13,840
	2007	0.00%	-	13,840
	2008	0.00%	-	13,840
	2009	0.00%	-	13,841
	2010	0.00%	-	13,840
	2011	0.00%	-	13,841
	2012	0.00%	-	13,840
	2013	0.00%	-	13,841
	2014	0.00%	-	13,840
	2015	0.00%	-	13,841
			<u>-</u>	<u>138,404</u>
2005B Essential corporate purpose, issued June 1, 2005	2006	3.10%	68,775	300,000
	2007	3.10%	49,650	300,000
	2008	3.10%	40,350	300,000
	2009	3.25%	31,050	300,000
	2010	3.35%	21,300	100,000
	2011	3.50%	17,950	200,000
	2012	3.65%	10,950	300,000
			<u>240,025</u>	<u>1,800,000</u>
Total general obligation	2006		707,454	1,453,840
	2007		650,177	1,538,840
	2008		598,318	1,613,840
	2009		541,239	1,638,841
	2010		480,486	1,488,840
	2011		422,453	1,598,841
	2012		358,598	1,678,840
	2013		289,850	1,553,841
	2014		223,986	1,333,840
	2015		165,431	1,123,841
	2016		115,601	1,125,000
	2017		64,038	1,145,000
	2018		10,875	250,000
			<u>\$ 4,628,506</u>	<u>\$ 17,543,404</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2005

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
Tax increment financing				
Urban renewal tax increment revenue bonds, issued	2006	4.50%	\$ 187,743	\$ -
June 1, 1999	2007	4.50%	187,743	250,000
	2008	4.50%	176,493	260,000
	2009	4.50%	164,793	270,000
	2010	4.50%	152,643	280,000
	2011	4.50%	140,043	290,000
	2012	4.55%	126,993	300,000
	2013	4.60%	113,343	310,000
	2014	4.60%	99,083	320,000
	2015	4.63%	84,363	330,000
	2016	4.70%	69,100	340,000
	2017	4.80%	53,120	350,000
	2018	4.85%	36,320	370,000
	2019	4.90%	18,375	375,000
			<u>1,610,155</u>	<u>4,045,000</u>
Urban renewal tax increment revenue bonds, issued	2006	5.00%	16,927	116,500
June 30, 2003	2007	5.00%	11,031	122,350
	2008	5.00%	4,837	128,438
			<u>32,795</u>	<u>367,288</u>
Urban renewal tax increment bond anticipation project note, issued December 29, 2003	2006	3.14%	7,158	-
	2007	3.14%	3,589	224,838
			<u>10,747</u>	<u>224,838</u>
Total tax increment financing	2006		211,828	116,500
	2007		202,363	597,188
	2008		181,330	388,438
	2009		164,793	270,000
	2010		152,643	280,000
	2011		140,043	290,000
	2012		126,993	300,000
	2013		113,343	310,000
	2014		99,083	320,000
	2015		84,363	330,000
	2016		69,100	340,000
	2017		53,120	350,000
	2018		36,320	370,000
	2019		18,375	375,000
			<u>\$ 1,653,697</u>	<u>\$ 4,637,126</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2005

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Governmental Activities (continued)				
Total governmental activities	2006		\$ 919,282	\$ 1,570,340
	2007		852,540	2,136,028
	2008		779,648	2,002,278
	2009		706,032	1,908,841
	2010		633,129	1,768,840
	2011		562,496	1,888,841
	2012		485,591	1,978,840
	2013		403,193	1,863,841
	2014		323,069	1,653,840
	2015		249,794	1,453,841
	2016		184,701	1,465,000
	2017		117,158	1,495,000
	2018		47,195	620,000
	2019		18,375	375,000
			<u>\$ 6,282,203</u>	<u>\$ 22,180,530</u>
Enterprise Funds				
Water Pollution Control Refunding, issued April 1, 2002	2006	3.45%	\$ 47,378	\$ 645,000
	2007	3.75%	25,126	670,000
			<u>72,504</u>	<u>1,315,000</u>
Water Pollution Control, capital loan note, issued May 15, 2003	2006	3.00%	130,440	1,000
	2007	3.00%	130,410	1,000
	2008	3.00%	130,380	306,000
	2009	3.00%	121,200	315,000
	2010	3.00%	111,750	325,000
	2011	3.00%	102,000	335,000
	2012	3.00%	91,950	345,000
	2013	3.00%	81,600	355,000
	2014	3.00%	70,950	366,000
	2015	3.00%	59,970	377,000
	2016	3.00%	48,660	388,000
	2017	3.00%	37,020	399,000
	2018	3.00%	25,050	411,000
	2019	3.00%	12,720	424,000
			<u>1,154,100</u>	<u>4,348,000</u>
Water Pollution Control Refunding, issued April 1, 2005	2006	3.00%	84,271	100,000
	2007	3.25%	69,233	100,000
	2008	3.55%	65,983	260,000
	2009	3.55%	56,753	260,000
	2010	3.55%	47,523	260,000
	2011	3.55%	38,293	260,000
	2012	3.65%	29,063	260,000
	2013	3.75%	19,573	255,000
	2014	3.85%	10,010	260,000
			<u>420,702</u>	<u>2,015,000</u>

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF BOND MATURITIES (continued)
JUNE 30, 2005

Issue	Year Ending June 30	Interest Rates	Interest	Principal
Enterprise Funds (continued)				
Total enterprise funds	2006		\$ 262,089	\$ 746,000
	2007		224,769	771,000
	2008		196,363	566,000
	2009		177,953	575,000
	2010		159,273	585,000
	2011		140,293	595,000
	2012		121,013	605,000
	2013		101,173	610,000
	2014		80,960	626,000
	2015		59,970	377,000
	2016		48,660	388,000
	2017		37,020	399,000
	2018		25,050	411,000
	2019		12,720	424,000
			<u>\$ 1,647,306</u>	<u>\$ 7,678,000</u>
Component Unit, Water Works				
Revenue bonds, issued December 1998	2006	3.90%	\$ 41,098	\$ 330,000
	2007	3.95%	28,228	345,000
	2008	4.00%	14,600	365,000
			<u>\$ 83,926</u>	<u>\$ 1,040,000</u>

STATISTICAL SECTION

CITY OF MARSHALLTOWN, IOWA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST THREE FISCAL YEARS (UNAUDITED)

Fiscal Year	Public Safety	Public Works	Health and Social Services	Culture and Recreation	Community and Economic Development
2002-03	\$ 6,704,841	\$ 4,067,481	\$ 455,506	\$ 2,462,897	\$ 1,744,724
2003-04	7,334,477	4,132,829	783,075	2,669,207	2,495,685
2004-05	6,718,838	4,975,532	1,336,175	2,356,111	1,743,784

Fiscal Year	General Government	Interest on Long-Term Debt	Storm Sewer	Water Pollution Control	Compost
2002-03	\$ 1,083,663	\$ 1,137,323	\$ -	\$ 3,563,400	\$ 40,971
2003-04	1,038,353	984,214	408,532	3,677,871	35,357
2004-05	975,510	1,037,688	472,913	4,153,055	47,634

Fiscal Year	Concessions	Transit	Total
2002-03	\$ 14,900	\$ 531,734	\$ 21,807,440
2003-04	58,824	492,115	24,110,539
2004-05	44,416	419,640	24,281,296

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
GOVERNMENT-WIDE REVENUES – PRIMARY GOVERNMENT
LAST THREE FISCAL YEARS (UNAUDITED)

Fiscal Year	Program Revenues			General Revenues	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes - Property	Taxes - Other
2002-03	\$ 5,188,304	\$ 5,072,862	\$ 1,170,641	\$ 6,179,720	\$ 5,335,391
2003-04	5,968,758	5,708,582	989,557	6,413,043	5,067,338
2004-05	5,897,946	5,538,689	2,248,106	6,660,061	5,891,242

Fiscal Year	General Revenues			
	State Generated Revenues	Unrestricted Investments Earnings	Miscellaneous Revenues	Total
2002-03	\$ 925,838	\$ 217,902	\$ 624,720	\$ 24,715,378
2003-04	415,760	255,992	540,411	25,359,441
2004-05	401,992	401,771	726,918	27,766,725

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS LAST THREE FISCAL YEARS (UNAUDITED)

Fiscal Year	Public Safety	Public Works	Health and Social Services	Culture and Recreation	Community and Economic Development
2002-03	\$ 6,495,282	\$ 2,598,595	\$ 441,702	\$ 2,370,261	\$ 1,681,324
2003-04	7,481,361	2,664,880	784,624	2,346,323	2,292,327
2004-05	7,007,620	2,508,531	1,383,248	2,247,867	1,730,032
Fiscal Year	General Government	Debt Service	Total		
2002-03	\$ 1,062,770	\$ 2,716,443	\$ 17,366,377		
2003-04	1,006,512	2,992,932	19,568,959		
2004-05	936,481	5,266,579	21,080,358		

In fiscal year 02-03 the state changed the level of reporting for budget. The City conformed to the change.

GENERAL GOVERNMENTAL EXPENDITURES AND TRANSFERS BY FUNCTION GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS PRIOR SEVEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Community Protection	Human Development	Home and Community Environment	Policy and Administration	Debt Service
1995-96	\$ 4,991,583	\$ 1,562,066	\$ 2,881,309	\$ 1,028,172	\$ 2,557,346
1996-97	5,418,730	1,592,090	3,298,704	884,615	2,870,358
1997-98	5,527,949	1,642,914	3,256,265	876,857	3,036,551
1998-99	5,697,063	1,570,223	3,565,351	842,972	7,146,287
1999-00	5,845,373	1,755,480	3,169,304	920,702	2,644,916
2000-01	6,233,200	1,734,570	3,817,988	993,940	2,710,193
2001-02	6,669,862	2,367,778	5,208,025	1,024,559	12,266,517
Fiscal Year	Capital Outlay	Total Expenditures	Transfers Out	Total	
1995-96	\$ -	\$ 13,020,476	\$ 2,464,745	\$ 15,485,221	
1996-97	-	14,064,497	2,489,992	16,554,489	
1997-98	452,340	14,792,876	2,208,022	17,000,898	
1998-99	833,720	19,655,616	2,917,695	22,573,311	
1999-00	1,271,064	15,606,839	4,027,023	19,633,862	
2000-01	1,126,152	16,616,043	4,952,762	21,568,805	
2001-02	-	27,536,741	5,170,867	32,707,608	

As of fiscal year 2002, capital outlay is now being shown against its designated function.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
GENERAL GOVERNMENTAL REVENUE AND TRANSFERS BY SOURCE
GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Property Taxes *	TIF Revenues	Other City Taxes	Intergovernmental Revenue
1995-96	\$ 8,512,043	\$ 5,502	\$ 244,443	\$ 3,746,722
1996-97	8,779,035	92,028	247,083	3,608,804
1997-98	8,214,693	91,772	282,145	4,507,776
1998-99	8,299,419	405,406	416,678	4,800,775
1999-00	8,058,396	585,695	1,428,482	4,829,315
2000-01	5,412,705	738,084	3,529,492	4,911,482
2001-02	5,652,406	825,023	3,921,744	5,279,495
2002-03	5,881,217	1,510,366	4,180,464	5,621,731
2003-04	6,092,351	1,597,111	3,816,900	5,603,829
2004-05	6,332,314	2,312,752	3,958,161	5,607,795

Fiscal Year	Licenses and Permits	Charges for Services	Use of Money and Property	Special Assessments
1995-96	\$ 168,459	\$ 318,136	\$ 398,692	\$ 9,375
1996-97	196,185	302,446	364,001	2,658
1997-98	222,355	500,972	395,515	35,060
1998-99	230,645	475,590	377,407	4,550
1999-00	272,179	509,159	496,762	124,423
2000-01	273,959	535,874	561,913	4,939
2001-02	368,173	621,387	318,771	23,007
2002-03	352,363	768,130	198,689	33,988
2003-04	321,265	1,040,265	194,144	317
2004-05	341,082	892,758	304,287	317

Fiscal Year	Miscellaneous Income	Total Revenues	Transfers In	Total
1995-96	\$ 227,344	\$ 13,630,716	\$ 1,866,438	\$ 15,497,154
1996-97	354,984	13,947,224	2,122,145	16,069,369
1997-98	476,338	14,726,626	2,981,928	17,708,554
1998-99	380,801	15,391,271	3,082,548	18,473,819
1999-00	319,039	16,623,450	3,623,176	20,246,626
2000-01	427,891	16,396,339	4,614,653	21,010,992
2001-02	321,675	17,331,681	5,686,875	23,018,556
2002-03	564,932	19,111,880	5,310,745	24,422,625
2003-04	377,564	19,043,746	5,680,647	24,724,393
2004-05	422,469	20,171,935	4,532,824	24,704,759

Note: Effective with fiscal 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. Collections in the current year include both property tax collections and state shared property tax credits classified as intergovernmental revenue. Effective with fiscal 2001, utilities are paying an excise tax rather than property taxes. The excise tax is included with other City taxes.

* Does not include property taxes receipted in the Capital Projects Fund. See "Property Tax Revenue By Function" for full listing of property taxes collected.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST THREE FISCAL YEARS (UNAUDITED)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Tax Increment Financing Tax</u>	<u>Utility Excise Tax</u>	<u>Utility Franchise Fee</u>	<u>Hotel/Motel Tax</u>
2002-03	\$ 6,194,625	\$ 1,510,366	\$ 1,090,939	\$ 190,260	\$ 189,548
2003-04	6,415,158	1,597,111	890,749	189,286	168,290
2004-05	6,659,496	2,312,752	862,169	189,343	171,263

<u>Fiscal Year</u>	<u>Local Option Sales Tax</u>	<u>911 Surcharge</u>	<u>Mobile Home Tax</u>	<u>Total</u>
2002-03	\$ 2,525,515	\$ 223,384	\$ 18,563	\$ 11,943,200
2003-04	2,392,555	204,609	18,287	11,876,045
2004-05	2,528,335	234,253	17,162	12,974,773

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
PROPERTY TAX REVENUE BY FUNCTION
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	General	Insurance	Transit	Emergency	Debt Service
1995-96	\$ 4,150,921	\$ 259,619	\$ 86,940	\$ 135,184	\$ 2,490,796
1996-97	4,423,095	237,177	118,071	144,270	2,651,407
1997-98	4,176,509	184,297	118,254	136,397	2,580,310
1998-99	4,198,200	187,655	83,676	136,942	2,455,809
1999-00	4,338,364	188,037	86,542	141,608	1,972,702
2000-01	3,576,397	-	-	118,918	1,570,182
2001-02	3,718,397	175,566	78,588	121,256	1,375,905
2002-03	3,855,191	172,940	77,589	125,364	1,432,889
2003-04	3,973,750	189,271	83,674	129,122	1,436,088
2004-05	4,022,548	158,528	84,817	130,872	1,335,961

Fiscal Year	Police and Fire Retirement	Other Employee Benefits	Capital Improvement	Total
1995-96	\$ 63,811	\$ 1,324,772	\$ -	\$ 8,512,043
1996-97	79,450	1,125,565	-	8,779,035
1997-98	128,669	890,257	-	8,214,693
1998-99	127,192	1,109,945	-	8,299,419
1999-00	183,565	1,147,578	-	8,058,396
2000-01	147,208	-	297,295	5,710,000
2001-02	169,458	13,236	303,144	5,955,550
2002-03	203,466	13,778	313,408	6,194,625
2003-04	266,147	14,299	322,807	6,415,158
2004-05	599,588	-	327,182	6,659,496

Note: Effective with fiscal year 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. Therefore, the collections have decreased compared to prior years.

Effective with fiscal year 2001 and after, property taxes are being reduced by local option sales tax of which a portion is being used for property tax relief.

Effective with fiscal year 2001, utilities are paying an excise tax rather than property taxes.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (UNAUDITED)

Collection Year	Levy Year	Current Levy	Collections and State Credits in the Current Year	Percent of Levy Collected*
1995-96	1994	\$ 8,608,435	\$ 8,512,043	98.88%
1996-97	1995	8,780,758	8,779,035	99.98%
1997-98	1996	8,766,518	8,913,868	101.68%
1998-99	1997	8,830,340	9,053,067	102.52%
1999-00	1998	8,668,373	8,750,445	100.95%
2000-01	1999	6,151,536	6,310,233	102.58%
2001-02	2000	6,395,110	6,384,507	99.83%
2002-03	2001	6,588,225	6,596,883	100.13%
2003-04	2002	6,767,269	6,802,314	100.52%
2004-05	2003	7,013,159	7,059,320	100.66%

Note: Effective with fiscal 1998, the state-shared revenues passed through the County have been reclassified from property taxes to intergovernmental revenue. The current levy column is based upon both levy and state shared property tax credits. Collections in the current year column include both property tax collections and state shared property tax credits classified as intergovernmental revenue.

Effective with fiscal 2001, utilities are paying an excise tax rather than property taxes.

Source: General Purpose Financial Statements

* Collections include delinquent taxes which result in collection rates greater than 100 percent.

ASSESSED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (UNAUDITED)

Collection Year	Levy Year	Regular Realty	TIF	Ag Land Realty
1995-96	1994	\$ 630,258,060	\$ 8,475,945	\$ 2,346,740
1996-97	1995	719,921,430	9,331,911	2,336,950
1997-98	1996	724,711,878	13,375,774	2,860,413
1998-99	1997	767,129,346	26,124,924	3,090,344
1999-00	1998	774,036,481	35,447,957	3,048,144
2000-01	1999	717,519,561	46,453,635	3,332,535
2001-02	2000	716,783,869	44,573,485	3,310,601
2002-03	2001	793,933,172	61,244,207	3,230,403
2003-04	2002	804,677,546	55,196,316	3,218,650
2004-05	2003	867,672,511	71,047,100	2,502,624

Assessed valuations are equal to actual valuations.

Effective with the January 1, 1999, valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon property valuation.

Source: Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (UNAUDITED) (PER \$1,000 ASSESSED VALUATIONS)

Collection Year	Levy Year	Marshall County	Community Schools	City of Marshalltown	City Assessor
1995-96	1994	7.14800	16.11453	16.89681	0.33743
1996-97	1995	6.88420	15.12332	16.32439	0.31731
1997-98	1996	6.80708	15.43195	16.11316	0.33748
1998-99	1997	6.80708	15.80058	16.11196	0.33387
1999-00	1998	6.06076	15.16492	15.11361	0.36848
2000-01	1999	5.98332	16.42885	12.60867	0.37346
2001-02	2000	6.15739	16.25058	12.96936	0.36356
2002-03	2001	6.01644	16.21217	12.96979	0.35227
2003-04	2002	6.08852	16.19581	13.08945	0.34538
2004-05	2003	6.56545	17.30327	13.37877	0.35723

Collection Year	Levy Year	Community College	County Extension	State of Iowa	Total
1995-96	1994	1.02731	0.09532	0.00500	41.62440
1996-97	1995	1.01074	0.09050	0.00500	39.75546
1997-98	1996	0.99017	0.09005	0.00500	39.77489
1998-99	1997	1.05028	0.08701	0.00500	40.19578
1999-00	1998	1.01627	0.08416	0.00500	37.81320
2000-01	1999	0.82674	0.08256	0.00500	36.30860
2001-02	2000	0.83104	0.08044	0.00500	36.65737
2002-03	2001	0.85117	0.07832	0.00400	36.48416
2003-04	2002	0.92000	0.07677	0.00400	36.71993
2004-05	2003	0.98700	0.08143	0.00400	38.67715

Source: Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
PRINCIPAL TAXPAYERS
(UNAUDITED)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>January 1, 2004, Gross Assessed Value</u>	<u>Percentage of Total Assessed Value</u>
Lennox Industries Inc	Furnace and air conditioning manufacturer	\$ 14,684,500	1.6%
Emerson Process Mgt/Fisher Controls	Valves and regulators manufacturer	10,874,010	1.2%
Marshall Town Center Assoc LLC	Shopping mall	9,820,524	1.0%
MMSC, Ventures Inc	Hospital	9,775,043	1.0%
Walmart Stores Inc	Discount store	9,293,018	1.0%
Swift & Company	Pork processors	9,118,774	1.0%
FHS Marshalltown LP	Lennox manufacturing warehouse	6,602,000	0.7%
Trilogy/Embers of Marshalltown	Senior citizens apartment complex	5,302,920	0.6%
Inns of Iowa LTD	Motel	5,047,197	0.5%
Gottula Properties LC and LARCC Realty Inc	Retail development	4,576,360	0.5%
		<u>\$ 85,094,346</u>	

Note: Alliant Energy, the local gas and electric provider, is now assessed a utility excise tax instead of taxes based upon their property valuation. The gas and electric assessed property value for January 1, 2004 was \$98,401,496.

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Net Taxable Value</u>
Lennox Industries Inc	Furnace and air conditioning manufacturer	\$ 14,684,500
Emerson Process Mgt/Fisher Controls	Valves and regulators manufacturer	10,874,010
Marshall Town Center Assoc LLC	Shopping mall	9,820,524
Walmart Stores Inc	Discount store	9,293,018
Swift & Company	Pork processors	9,118,774
FHS Marshalltown LP	Lennox manufacturing warehouse	6,602,000
Inns of Iowa LTD	Motel	5,047,197
MMSC, Ventures Inc	Hospital	4,848,070
Gottula Properties LC and LARCC Realty Inc	Retail development	4,576,360
HyVee Food Stores	Grocery store	4,155,996
		<u>\$ 79,020,449</u>

Source: Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
SPECIAL ASSESSMENTS COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Amount Due	Total Outstanding Assessments
1995-96	\$ 8,564	\$ 8,325	97.2%	\$ 14,938
1996-97	4,380	4,380	100.0%	9,467
1997-98	4,114	4,027	97.9%	22,268
1998-99	3,027	2,844	94.0%	14,326
1999-00	2,805	2,805	100.0%	9,212
2000-01	1,797	1,797	100.0%	25,823
2001-02	10,309	9,999	97.0%	42,716
2002-03	27,699	27,699	100.0%	14,119
2003-04	3,670	3,670	100.0%	6,444
2004-05	2,459	2,459	100.0%	3,675

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND GENERAL
BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	General Obligation Bonded Debt	TIF Debt	Total Bonded/TIF Debt	(1) Assessed Value of Property *
1995-96	\$ 9,955,000	\$ 515,000	\$ 10,470,000	\$ 638,734,005
1996-97	13,045,000	4,395,000	17,440,000	729,253,341
1997-98	15,315,000	4,365,000	19,680,000	738,087,652
1998-99	17,345,000	4,475,000	21,820,000	793,304,120
1999-00	15,825,000	4,435,000	20,260,000	809,484,438
2000-01	14,235,000	4,330,000	18,565,000	763,973,196
2001-02	19,745,000	4,290,000	24,035,000	761,357,354
2002-03	18,435,000	4,692,038	23,127,038	855,177,379
2003-04	18,995,000	5,448,188	24,443,188	859,873,862
2004-05	17,543,404	4,637,126	22,180,530	938,719,611

Fiscal Year	Value of Property of Utility Provider**	(2) Population	Ratio of Bonded/TIF Debt to Assessed Value	Bonded/TIF Debt Per Capita
1995-96	\$ -	25,178	1.64%	\$ 416
1996-97	-	25,178	2.39%	692.67
1997-98	-	25,178	2.67%	781.63
1998-99	-	25,178	2.75%	866.63
1999-00	-	25,178	2.50%	804.67
2000-01	82,272,233	26,009	2.19%	713.79
2001-02	82,653,397	26,009	2.84%	924.10
2002-03	84,141,000	26,009	2.70%	889.19
2003-04	86,485,422	26,009	2.84%	939.80
2004-05	90,789,115	26,009	2.36%	852.80

Sources:

- (1) Marshall County Auditor's Office
(2) United States Census Bureau

* Assessed value includes the addition of regular realty and TIF.

** Effective with the January 1, 1999, valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon property valuation.

CITY OF MARSHALLTOWN, IOWA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL DEBT TO TOTAL GENERAL EXPENDITURES – GENERAL, SPECIAL REVENUE, AND DEBT SERVICE FUNDS LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal year	Principal	Interest and Other Fiscal Charges	Total Debt Service *	Total General Expenditures**	Ratio of Debt Service to Total Expenditures
1995-96	\$ 1,848,173	\$ 709,173	\$ 2,557,346	\$ 13,020,476	19.64
1996-97	2,142,172	728,186	2,870,358	14,064,497	20.41
1997-98	2,047,778	988,773	3,036,551	14,792,876	20.53
1998-99	6,110,000 (a)	1,002,664	7,112,664	19,655,616	36.19
1999-00	1,560,000	1,050,597	2,610,597	15,606,839	16.73
2000-01	1,590,000	764,564	2,354,564	16,616,043	14.17
2001-02	11,215,000 (b)	803,925	12,018,925	27,536,741	43.65
2002-03	4,865,000 (c)	1,201,443	6,066,443	20,716,377	29.28
2003-04	1,983,850	1,009,082	2,992,932	19,568,959	15.29
2004-05	2,101,062 (d)	1,065,517	3,166,579	20,171,935	15.70

* General obligation debt paid from property taxes.

** Expenditures do not include transfers out.

- (a) The principal payment includes \$3.9 million principal payment that was used to pay off bond anticipation notes which were replaced with permanent financing. Without the BAN payment, the ratio of debt service to actual expenditures would be 16.44.
- (b) The principal payment includes \$9.77 million principal payment that was used to pay off bond anticipation notes and refunded a prior year G.O. bond. Without these payments the ratio of debt service to actual expenditures would be 12.66%.
- (c) The principal payment includes \$3.35 million principal payment that was used to refund the December 1, 1996, essential corporate purpose bonds. Without these payments the ratio of debt service to actual expenditures would be 13.35%.
- (d) The principal payment includes \$2.10 million principal payment that was used to refund the June 1, 1998, essential corporate purpose bonds. Without these payments the ratio of debt service to actual expenditures would be 15.70%.

Source: City Financial Records

COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2005 (UNAUDITED)

Name of Governmental Unit	(1) Debt Outstanding	(2) Percentage Applicable to City of Marshalltown	City of Marshalltown Share of Debt
Iowa Valley Schools	\$ 13,040,000	53.46%	\$ 6,971,184
Marshalltown Community School District	30,485,000	82.68%	25,204,998
Marshall County	7,030,000	52.77%	3,709,731
	50,555,000		35,885,913
City of Marshalltown	22,180,530	100.00%	22,180,530
Total direct and overlapping debt	\$ 72,735,530		\$ 58,066,443

Sources:

- (1) Individual governmental units. (Includes bonded and TIF debt.)
- (2) Marshall County Auditor's Office

CITY OF MARSHALLTOWN, IOWA
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)

Year				Debt Service Requirements				
	Gross Revenue	(1) Expenses	Available for Debt Service	Principal	Interest and Other Debt Expense	Total	Coverage	
Water Pollution Control								
1995-96	\$ 3,562,483	\$ 1,669,788	\$ 1,892,695	\$ 245,000	\$ 497,904	\$ 742,904	2.55	
1996-97	3,485,372	1,600,211	1,885,161	50,000	362,381	412,381	4.57	
1997-98	3,372,463	1,779,400	1,593,063	80,000	314,406	394,406	4.04	
1998-99	3,475,081	1,844,893	1,630,188	420,000	451,637	871,637	1.87	
1999-00	3,452,591	1,872,024	1,580,567	625,000	330,152	955,152	1.65	
2000-01	3,693,270	1,994,830	1,698,440	660,000	376,281	1,036,281	1.64	
2001-02	3,768,757	2,123,166	1,645,591	690,000	356,418	1,046,418	1.57	
2002-03	3,755,193	2,279,904	1,475,289	775,000	314,179	1,089,179	1.35	
2003-04	3,693,877	2,323,665	1,370,212	1,415,000	333,572	1,748,572	0.78	
2004-05	3,802,434	2,581,717	1,220,717	2,823,483	331,773	3,155,256	0.39	
Component Unit - Water Works								
1995-96	\$ 2,164,888	\$ 1,490,021	\$ 674,867	\$ 240,000	\$ 11,440	\$ 251,440	2.68	
1996-97	2,190,320	1,511,638	678,682	20,000	-	20,000	33.93	
1997-98	2,492,101	1,535,019	957,082	-	-	-	-	
1998-99	2,590,144	1,586,311	1,003,833	45,000	56,294	101,294	9.91	
1999-00	2,647,295	1,657,230	990,065	255,000	104,258	359,258	2.76	
2000-01	2,675,690	1,788,588	887,102	270,000	95,862	365,862	2.42	
2001-02	2,597,885	1,808,914	788,971	280,000	85,660	365,660	2.16	
2002-03	2,654,739	2,004,721	650,018	290,000	75,393	365,393	1.78	
2003-04	3,287,350	2,045,154	1,242,196	305,000	75,660	380,660	3.26	
2004-05	3,204,011	2,162,181	1,041,830	315,000	53,225	368,225	2.83	

(1) Total operating expenses, less depreciation.

Sources: City Financial Records and Water Works Financial Records

CITY OF MARSHALLTOWN, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)

City of Marshalltown							
Year	(1) Population	(2) Median Age (Zip 50158)	(4) Taxable Retail Sales	(4) No. of Businesses	(5) School Enrollment Public	(6) School Enrollment Private	(7) Unemployment Percent
1995	25,178	37.2	\$ 298,889,577	N/A	4,958	285	3.60
1996	25,178	37.8	299,549,363	N/A	4,995	285	3.80
1997	25,178	38.4	310,141,156	3,547	4,904	271	3.20
1998	25,178	N/A	321,765,151	3,490	4,823	257	2.90
1999	25,178	39.7	323,776,666	3,363	4,941	247	2.40
2000	26,009	39.7	309,653,376	3,282	4,916	248	2.70
2001	26,009	39.0	333,741,450	3,189	4,964	248	3.10
2002	26,009	39.0	326,679,780	3,017	4,939	235	5.70
2003	26,009	39.0	315,705,482	2,923	4,913	234	5.70
2004	26,009	39.2	317,256,826	2,902	4,895	194	4.00

Marshall County							
Year	(8) Per Capita Income	(9) Median Household Income	(3) Median Age	(4) Taxable Retail Sales	(4) No. of Businesses	(8) Unemployment Percent	
1995	\$ 20,862	\$ 45,600	37.4	\$ 315,917,997	N/A	3.40	
1996	21,441	45,600	37.9	318,594,987	N/A	3.60	
1997	22,717	47,900	38.4	328,338,801	4,605	3.10	
1998	24,329	47,900	N/A	340,707,831	4,509	2.80	
1999	24,579	51,100	39.6	341,335,124	4,353	2.20	
2000	25,485	53,900	39.7	345,407,321	4,251	2.50	
2001	26,857	54,600	38.9	353,539,464	4,144	2.90	
2002	27,486	52,400	38.9	347,686,741	3,851	5.50	
2003	N/A	53,600	N/A	333,245,445	3,732	5.40	
2004	N/A	55,800	N/A	334,996,562	3,708	4.10	

Sources:

- (1) United States Census Bureau
- (2) CACI's Sourcebook of Demographics and Buying Power for Every Zip Code in the United States.
- (3) CACI's Sourcebook of County Demographics
- (4) Iowa Department of Revenue Sales and Use Tax Report based on fiscal year ending March 31 succeeding the calendar year. Beginning in 2004 it is on a calendar year basis.
- (5) Marshalltown Community School District
- (6) Marshalltown Catholic School
- (7) Job Service of Iowa
- (8) Bureau of Economic Analysis
- (9) HUD User: Policy Development and Research Information Service

N/A: Information not available at time of printing.

CITY OF MARSHALLTOWN, IOWA
PROPERTY VALUE, BUILDING PERMITS, AND BANK DEPOSITS
LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	(1) Property Value				(1) Value of Property of Utility Provider	
	Regular Realty	TIF	Ag Land Realty	Tax Exempt		
1995-96	\$ 630,258,060	\$ 8,475,945	\$ 2,346,740	\$ 64,952,943	\$	-
1996-97	719,921,430	9,331,911	2,336,950	72,681,182		-
1997-98	724,711,878	13,375,774	2,860,413	79,173,765		-
1998-99	767,129,346	26,174,774	3,090,344	77,542,410		-
1999-00	774,036,481	35,447,957	3,048,144	79,623,089		-
2000-01	717,519,561	46,453,635	3,332,535	79,424,978		82,272,233
2001-02	716,783,869	44,573,485	3,310,601	82,264,656		82,653,397
2002-03	793,933,172	61,244,207	3,230,403	88,347,820		84,141,000
2003-04	804,677,548	55,196,316	3,218,650	89,988,114		86,485,422
2004-05	867,672,511	71,047,100	2,502,624	92,101,046		90,789,115

Fiscal Year	(2) New construction		Remodeling, Repairs and Additions		(3) Bank Deposits	
	Number of Permits	Value of Permits	Number of Permits	Value of Permits		
1995-96	26	\$ 2,855,000	243	\$ 9,855,900	\$	527,754,000
1996-97	34	15,941,000	203	3,841,300		558,641,000
1997-98	51	10,333,000	196	5,971,800		573,728,000
1998-99	34	12,607,000	182	5,085,600		564,020,000
1999-00	48	5,804,800	206	16,727,900		574,026,000
2000-01	51	11,574,000	179	7,467,600		605,743,000
2001-02	59	28,425,000	191	13,421,600		615,334,000
2002-03	87	19,684,000	139	15,805,900		653,572,000
2003-04	55	13,441,000	120	7,489,900		506,285,000
2004-05	50	11,054,000	126	20,799,600		538,994,000

Sources:

- (1) Marshall County Auditor's Office
- (2) Based on building permits issued by the City.
- (3) Federal Deposit Insurance Corporation

Note: Effective with the January 1, 1999, valuations, Alliant Energy, the local gas and electric provider, is assessed a utility excise tax instead of taxes based upon the property valuation.

CITY OF MARSHALLTOWN, IOWA
INSURANCE IN FORCE – PRIMARY GOVERNMENT ONLY
JUNE 30, 2005 (UNAUDITED)

Insurer	Description	Amount	Expiration Date
Chubb	Property Coverage	\$ 34,795,607	April 1, 2006
Chubb	Inland Marine: Contractor's equipment	755,011	April 1, 2006
Iowa Communities Assurance Pool	Liability Coverage: General aggregate Products aggregate Personal injury Each occurrence Damage to premises rented Medical expense	6,000,000 6,000,000 6,000,000 6,000,000 6,000,000 5,000	April 1, 2006 April 1, 2006 April 1, 2006 April 1, 2006 April 1, 2006 April 1, 2006
Iowa Communities Assurance Pool	Automobile Coverage: Liability Auto medical Uninsured motorist Underinsured motorist Comprehensive/collision	6,000,000 2,000 50,000 50,000 Per Schedule	April 1, 2006 April 1, 2006 April 1, 2006 April 1, 2006 April 1, 2006
Iowa Communities Assurance Pool	Linebacker: Each loss Aggregate	6,000,000 No Aggregate	April 1, 2006 April 1, 2006
Iowa Communities Assurance Pool	Transit Auto: Liability Uninsured motorist Underinsured motorist	6,000,000 1,000,000 1,000,000	April 1, 2006 April 1, 2006 April 1, 2006
Iowa Communities Assurance pool	Garage Keepers: Comprehensive Collision	Unlimited Unlimited	April 1, 2006 April 1, 2006
Iowa Municipalities Workers' Compensation Association	Workers' Compensation: Bodily injury by accident Bodily injury by disease Policy limit	5,000,000 5,000,000 5,000,000	April 1, 2006 April 1, 2006 April 1, 2006
Travelers Casualty and Surety Company of America	Commercial Crime: Public employee dishonesty Forgery alterations Computer fraud	1,000,000 1,000,000 50,000	Until cancelled Until cancelled Until cancelled
United States Aviation Underwriters, Inc.	Commercial General Liability: Personal injury Each occurrence Fire damage Medical expense	5,000,000 5,000,000 50,000 1,000	October 18, 2005 October 18, 2005 October 18, 2005 October 18, 2005
Employers Mutual	Contractor's Pollution Liability: Each occurrence Aggregate	1,000,000 2,000,000	July 1, 2005 July 1, 2005

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
PRINCIPAL EMPLOYERS
JUNE 30, 2005 (UNAUDITED)

Employer	Industry	Employees
Swift & Company	Pork processors	2,100
Lennox Industries, Inc.	Furnace and air conditioning manufacturer	1,100
Emerson Process Mgt/Fisher Controls	Valves and regulators manufactuer	1,056
Iowa Veterans Home	Hospital care facility	961
Marshalltown Community School District	Education	850
Marshalltown Medical and Surgical Center	Hospital	650
HyVee Food Stores*	Grocery store	300
City of Marshalltown**	Municipal government	196
Marshall County	County government	175
Ace Precision	Aluminum and zinc die casting	140

Source: Marshalltown Chamber of Commerce

*Includes full time, part time, and seasonal employees.

**Includes full and part time regular employees.

CITY OF MARSHALLTOWN, IOWA
SALARIES OF PRINCIPAL OFFICIALS
JUNE 30, 2005 (UNAUDITED)

		Fiscal 2005 Salary *
Elected officials:		
Floyd Harthun	Mayor	\$ 6,230
Susan Malloy	Mayor Pro-tem - At Large	1,942 (A)
Robert Schubert	Council Member - First Ward	1,942 (A)
Jeff Linton	Council Member - Second Ward	2,077
Eric Fruin	Council Member - Third Ward	2,077
Laurel Phipps	Council Member - Fourth Ward	2,077
Darrell Eaton	Council Member - At Large	1,942 (A)
John Cahill	Council Member - At Large	2,077
Council-appointed officials:		
Dick Hierstein	City Administrator	102,422
City Administrator Appointment with Council Approval:		
Cindy R. Kendall	Finance Director	66,629
Shari Coughenhour	City Clerk	42,945
Duane Greenwood	Public Works Director	75,364
Roger Nowadzky	City Attorney	68,290
Mike Fields	Water Pollution Control Director	77,241
Robert Workman	Parks and Recreation Director	69,993
Larry Squiers	Fire Chief	68,290
Lon Walker	Police Chief	74,462
Mary Rund	Technical Services Coordinator	55,309
Michelle Spohnheimer	Housing Director	50,830 (B)
John Phillips	Public Facilities Superintendent	57,634

(A) Had a voluntary pay cut during portion of fiscal year.

(B) Official duties as housing director began September 27, 2005.

*This fiscal year had 27 payrolls instead of the normal 26.

Source: City Financial Records

CITY OF MARSHALLTOWN, IOWA
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2005 (UNAUDITED)

Date of Incorporation	July 27, 1863
Form of Government	Mayor-Council
Area	18.5 square miles
Miles of streets:	
Paved	157.2
Unpaved	5.8
	<hr/>
	163.0
	<hr/>
Miles of sewers:	
Storm	54.6
Sanitary	144.4
	<hr/>
	199.0
	<hr/>
Building Permits:	
Permits issued	176
Estimated cost	\$ 31,853,600
Fire protection:	
Number of stations	1
Number of employees	29
Police protection:	
Number of stations	1
Number of non-dispatch employees	45
Number of dispatchers	13
Recreation:	
Parks:	
Number of park areas	27
Number of acres	250
Number of playgrounds	24
Number of golf courses - private and public	3
Number of city owned swimming pools	1
Number of tennis courts	12
Number of softball diamonds	6
Miles of bike trails (off-street)	10
Sewage System	
Number of treatment plants	1
Daily average treatment in gallons	4.57 million gal/day
Maximum daily capacity of treatment plant in gallons	13.04 million gal/day

(continued)

CITY OF MARSHALLTOWN, IOWA
MISCELLANEOUS STATISTICAL DATA (continued)
JUNE 30, 2005 (UNAUDITED)

Cemeteries:

Number of facilities	2
Number of acres:	
Developed	135
Undeveloped	80

Libraries:

Number of items in collections	82,269
--------------------------------	--------

Number of street lights

1,542

Employees

Civil service - regular	69
Noncivil service - regular full & part time	127

Elections (1):

Last general election	November 2004
Registered voters	28,549
Number of votes cast	19,340
Percentage of registered voters voting (represents all of Marshall County)	67.74%

Population(2):

1900	11,544
1910	13,374
1920	15,731
1930	17,393
1940	19,240
1950	19,821
1960	22,521
1970	26,219
1980	26,938
1990	25,178
2000	26,009

Other information required by bond resolution:

Sewer cutomers served	9,723
-----------------------	-------

Sewer rates in effect:

City contributors (excluding two industrial users):

Base charge	\$9.51 per month
Flow charge	\$1.31 per 100 cubic feet

(continued)

CITY OF MARSHALLTOWN, IOWA
MISCELLANEOUS STATISTICAL DATA (continued)
JUNE 30, 2005 (UNAUDITED)

Facilities and services not included in the reporting entity:

Education:

Number of elementary schools*	7
Number of elementary school instructors	189
Number of secondary schools	3
Number of secondary school instructors	175

Hospitals:

Number of hospitals	1
Number of patient beds	125

Sources:

- (1) Marshall County Auditor
- (2) United States Census Bureau decennial census

* Includes one private school.

CITY OF MARSHALLTOWN, IOWA

WATER POLLUTION CONTROL HISTORIC EARNINGS LAST FIVE FISCAL YEARS (UNAUDITED)

	Year Ending June 30				
	2005	2004	2003	2002	2001
Revenues:					
Sewer Rental	\$ 3,488,658	\$ 3,445,984	\$ 3,499,800	\$ 3,408,218	\$ 3,215,020
Interest Income	108,425	86,945	142,074	239,950	378,216
Grants	44,499	13,660	96	96	96
Miscellaneous	160,852	147,288	113,223	120,493	99,938
Total Revenues	3,802,434	3,693,877	3,755,193	3,768,757	3,693,270
Expenses:					
Cost of Services	2,673,383	2,341,278	2,279,904	2,123,166	1,994,830
Depreciation	1,147,899	979,579	959,963	1,021,980	983,779
Debt Service	1,042,773	1,772,014	1,098,533	1,046,418	1,036,281
Total Expenses	4,864,055	5,092,871	4,338,400	4,191,564	4,014,890
Net Income (Loss)	\$ (1,061,621)	\$ (1,398,994)	\$ (583,207)	\$ (422,807)	\$ (321,620)

Source: City Financial Records

WATER POLLUTION CONTROL HISTORIC COVERAGE LAST FIVE FISCAL YEARS (UNAUDITED)

	Year Ending June 30				
	2005	2004	2003	2002	2001
Net Income (Loss)	\$ (1,061,621)	\$ (1,398,994)	\$ (583,207)	\$ (422,807)	\$ (321,620)
Add Depreciation	1,147,899	979,579	959,963	1,021,980	983,779
Add Debt Retirement	1,042,773	1,772,014	1,098,533	1,046,418	1,036,281
Net Income Available for Debt Service	\$ 1,129,051	\$ 1,352,599	\$ 1,475,289	\$ 1,645,591	\$ 1,698,440
Historic Debt Service	\$ 1,042,773	\$ 1,772,014	\$ 1,098,533	\$ 1,046,418	\$ 1,036,281
Historic Coverage	1.08	0.76	1.34	1.57	1.64
Projected Max Future Debt	\$ 1,008,089	\$ 998,726	\$ 1,009,166	\$ 1,032,115	\$ 1,019,826
Projected Coverage	1.12	1.35	1.46	1.59	1.67

Sources: Revenue Bond Agreements and City Financial Records

CITY OF MARSHALLTOWN, IOWA

WATER POLLUTION CONTROL – NUMBER OF CUSTOMERS BY TYPE LAST NINE FISCAL YEARS (UNAUDITED)

Year	Residential	Multi-Family	Commercial	Industrial	Total
1997	8,143	452	823	45	9,463
1998	8,166	461	833	47	9,507
1999	8,215	433	826	60	9,534
2000	7,956	424	745	43	9,168
2001	8,051	422	744	44	9,261
2002	8,040	419	757	48	9,264
2003	7,794	469	815	46	9,124
2004	8,149	486	851	45	9,531
2005	8,487	436	758	42	9,723

Note: Due to computer modification in fiscal year 2003, a more accurate count can be ascertained. Prior years included credit meters. Information is based upon number of meters.

Source: Marshalltown Water Works

WATER POLLUTION CONTROL – PRESENT NET ASSETS JUNE 30, 2005 (UNAUDITED)

Sewer Revenue Operating and Maintenance Accounts	\$	819,091
Sewer Revenue Sinking Reserve Fund Account		83,142
Sewer Revenue Improvement Fund Account		250,000
Additional Capital Replacement Fund Account		2,013,494
Sewer Revenue Reserve Fund Account		951,900
Undesignated		314,560
Total Water Pollution Control Net Assets	\$	<u>4,432,187</u>

Source: City Financial Records

WATER POLLUTION CONTROL – MAJOR USERS JUNE 30, 2005 (UNAUDITED)

	Average Gallons Per Month	Average Monthly Bill
Swift & Company	48,691,038	\$ 93,171
Iowa Veterans Home	2,416,035	4,241
Lennox Industries, Inc.	1,286,838	2,263
Rainbow Carwash I and III	877,550	1,546
Sunset Village Mobile Home Park	865,630	1,526
Marshalltown Community School District	776,390	1,369
Marshalltown Medical and Surgical Center	763,542	1,347
Fisher Controls	727,970	1,284
Starlite Mobile Home Park	719,264	1,269
Marshalltown Company	706,361	1,246

Sources: City Financial Records and Marshalltown Water Works

COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Marshalltown, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Marshalltown, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Marshalltown Convention and Visitors Bureau were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance that is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Marshalltown, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We noted certain matters that we reported to management of the City of Marshalltown, Iowa, in a separate letter dated October 13, 2005.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Marshalltown, Iowa, and other parties to whom the City of Marshalltown, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Marshalltown, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 13, 2005



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Marshalltown, Iowa

Compliance

We have audited the compliance of the City of Marshalltown, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Marshalltown, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Marshalltown, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Marshalltown, Iowa, and other parties to whom the City of Marshalltown, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 13, 2005

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct			
Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	14.871	IA125VO8001	\$ 1,453,712
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0202-02	976,839
Department of Justice			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0197	4,644
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0064	24,508
			29,152
Bulletproof Vest Partnership Program	16.607	162064008	4,094
Public Safety Partnership and Community Policing Grants	16.710	2003-SH-WX-0116	44,835
Public Safety Partnership and Community Policing Grants	16.710	2004-CK-WX-0524	3,750
			48,585
Department of Transportation			
Airport Improvement Program	20.106	3-19-0058-08	34,913
Total Direct			2,547,295
Indirect			
Department of Justice			
Iowa Division of Criminal and Juvenile Justice Planning and Marshall County Coalition for Youth Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	JJYD-S04-32	1,547
Iowa Division of Criminal and Juvenile Justice Planning and Marshall County, Iowa Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CJJP-04-A3-004	2,051
Byrne Formula Grant Program	16.579	04A-0274	40,007
Byrne Formula Grant Program	16.579	03A-0267	2,626
			42,633
Iowa Department of Justice			
Crime Victim Assistance Division Violence Against Women Formula Grants	16.588	VW-05-54	30,000
Department of Transportation			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-E-4797(607)--8T-64	378,221
Formula Grants for Other Than Urbanized Areas	20.509	18-4025-479-05	86,228
Iowa Department of Public Safety			
Safety Incentive Grants for Use of Seatbelts	20.604	PAP 05-157, Task 87	5,659
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 05-163, Task 48	11,072

(continued)

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued)			
Department of Education			
Iowa Department of Public Health and Substance Abuse			
Treatment Unit of Central Iowa			
Safe and Drug-Free Schools and Communities - State Grants	84.186	5885DV09	\$ 5,198
Marshalltown Community Schools, Marshalltown, Iowa			
Twenty-First Century Community Learning Centers	84.287	R287A981703-00	74,900
Department of Health and Human Services			
Iowa Department of Public Health			
Primary Healthcare, Inc.			
Childhood Lead Poisoning Prevention Projects - State and			
Local Childhood Lead Poisoning Prevention and			
Surveillance of Blood Lead Levels in Children	93.197	0405LP01	12,482
Marshall County Coalition for Youth			
Drug-Free Communities Support Program Grants	93.276	1H79SP11427-01	8,044
Child Care and Development Block Grant	93.575		5,828
Department of Homeland Security			
Iowa Department of Public Defense			
Public Assistance Grants	97.036	EME-2002-GR-0166	52,067
Total indirect			715,930
Total			\$ 3,263,225

CITY OF MARSHALLTOWN, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Marshalltown, Iowa, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit finding which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 14.871 – Section 8 Housing Choice Vouchers
 - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Marshalltown, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget – The notice of public hearing for the second amendment was not published in accordance with Chapter 384.16 of the Code of Iowa. This in effect voids the second amendment due to no legal public hearing. Therefore, program disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the health and social services, debt service, and business-type activities functions.

Recommendation – The budget amendment should have been published in accordance with Chapter 384.16 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Management has taken additional steps to insure publications are done in compliance with statute.

Conclusion – Response accepted.

CITY OF MARSHALLTOWN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

II-C-05 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-D-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rick Reisinger, Fireman, Owner of The Sign Shop	Sign painting	\$500

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with Rick Reisinger does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year.

II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.